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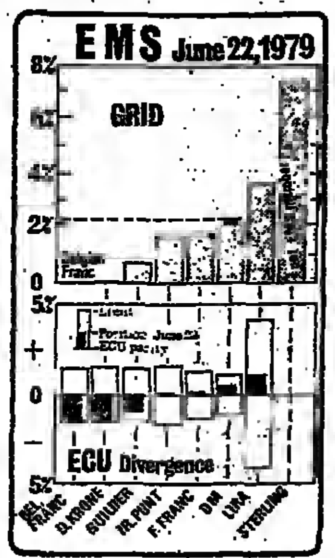
BUSINESS

More support for weak dollar

● BELGIAN franc and Danish krone remained weak in the European Monetary System, set against the D-mark, which strengthened sharply in comparison with the dollar. Some European central banks intervened to support the dollar.



while the Belgian National Bank moved to keep the Belgian franc above its floor and the Netherlands Bank continued to assist the guilder.

● TUC LEADERS will tell Mrs. Thatcher today that any industrial action in the coming months will be the Government's fault in introducing a Budget that cuts public services and employment, yet fuels wage expectations with a 4 per cent hoist in the retail prices index. Back Page

● GROCERY prices continued to rise sharply during June, and the FT Grocery Price Index increased by 2.1 per cent to 11.02, its highest since the "basket" was re-launched in March last year. Page 6

● VENTURE CAPITAL of £4m is being sought from City institutions for development and commercial production of airships in Britain. The Thermoskyships company of the Isle of Man hopes that the Skyship will be capable of transporting 60 passengers at up to 100 mph over a range of 200 miles and compete with conventional airlines for inter-city travel by the mid-eighties. Back Page

EEC to overhaul shipping rules

● EEC has begun moves to overhaul the activities of shipping conferences: draft regulations would impose restrictions on pricing policies of shipping conferences, which, with their loyalty agreements and currency adjustment practices, are considered "unacceptable" under EEC competition rules. Back Page

● SIR HAROLD WILSON will call for substantial additional changes in tax rules for international showbusiness personalities when he presents his film industry action committee report this week. Page 4

● NORTHERN IRELAND Under-Secretary of State, Mr. Giles Shaw, has warned that there would be a limit to Government assistance to the State-owned Harland and Wolff shipyard unless productivity improved. Page 6

● CIVIL SERVICE scientists and technicians are being called out on strike from today at selected Government establishments in support of better pay. Targets include three Royal Ordnance factories and a RAF maintenance unit. Page 6

● RAILMENS' union is likely to approve a pay claim for increases of more than 30 per cent in the basic rate of £49. Back Page

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Iran to back $20 a barrel for crude at OPEC meeting

BY ANDREW WHITLEY IN TEHRAN & RICHARD JOHNS IN GENEVA

On the eve of the OPEC ministerial conference in Geneva, Iran has indicated it will be supporting a substantial rise in the basic export price of crude to more than $20 a barrel, more than 36 per cent above the rate prevailing since April 1.

The new price will take into account the three rounds of surcharges Iran has applied since April, which have taken its present price for Arabian light crude to $18.47.

The Iranian demand is in line with the general OPEC consensus — with only Saudi Arabian at present dissenting — that surcharges imposed by member states since the beginning of April should be consolidated and increased in a basic, unified price of $20 per barrel at least.

Mr. Hassan Nazih, the Chairman of the National Iranian Oil Company (NIOC) was reported in the Persian language daily Ayandegan yesterday as saying "most" other OPEC members favoured the $20 figure, though he quoted Sheikh Zaki Yamani, the Saudi Oil Minister, as believing $18 to be a reasonable price.

Iran has made clear it supports a consolidation of the surcharges imposed by different OPEC members into a new unified price structure, and is thus likely to go along with a majority decision. Talks on co-ordinating its position with that of other member countries have been held in Tehran in recent weeks.

Since the beginning of this month the official selling price for Iranian Light has been $18.47, 27 per cent more than the $14.55 Saudi Arabia has been charging during the second quarter for its equivalent (in terms of gravity) Arabian light "marker" crude which has traditionally been the reference for adjusting all other differentials. Also Iran, having enforced a "voluntary reduction" in the contracted volumes sold to customers is thought to have been selling an increasing proportion of its own output on the spot market at rates up to double that amount.

Saudi Arabia is understood to be prepared to align with other producers at a basic price of $17-18. Clearly this is unacceptable even to Abu Dhabi and Kuwait, two producers which have been trying to mediate a compromise in advance of the OPEC conference.

Tension in New York petrol queues. Page 2
Carter's energy plea dominates Tokyo Summit. Back Page

The odds are that the meeting will end inconclusively with Saudi Arabia out of line with other members who will continue to charge the maximum possible as long as the market remains tight and permits such freedom. Meanwhile blame will be laid squarely on consumers for not curbing their own excessive demands.

In a break with tradition, the Iranian delegation to Geneva will be headed by Mr. Nazih rather than by Mr. Ali Ardalan, the Economy and Finance Minister. Mr. Ardalan represented Iran at OPEC's April conference but is rumoured to be unhappy in his post.

Meanwhile, it was learned over the weekend that the former consortium of Western oil companies operating in Iran has agreed in principle to sell its wholly-owned equipment and materials purchasing subsidiary, Iranian Oil Services (IROS), to NIOC on condition the Iranian state company takes over all IROS's obligations to third parties.

The provisional accord was apparently the main outcome of talks in London last week between a NIOC delegation and consortium representatives. Further discussions are likely in the near future on this issue and the question of their mutual debts.

Oil income will form nearly three-quarters of Iran's government revenues for this year's budget covering the 12 months from March 21, 1979. The budget is due to be released within the next week after the approval of the Revolutionary Council.

Previewing its main outlines, Mr. Ali Akbar Moinfar, the Plan and Budget Minister, was reported on Saturday as saying total expenditure would be 2,240bn rials (£14.47bn). There would be a deficit of approximately 350bn rials (£2.25bn) to be financed locally from the sale of Government bonds to the public and from what Mr. Moinfar cryptically described as "advances from oil companies."

UK oil output reaches peak

By Kevin Done, Energy Correspondent

OIL PRODUCTION from the UK sector of the North Sea reached a new peak last month with output averaging 1.6m barrels a day, equal to about 85 per cent of UK domestic oil consumption. Nevertheless, the present shortfall of world crude supplies means that the UK is running almost 100,000 barrels a day short of its needs.

The main reason for the latest production increase is the rapid rise in output from the Ninian Field, the UK's third largest sector, where production in May, at an average of 131,000 barrels a day, was almost double the April figure.

According to the latest North Sea report by Wood Mackenzie, the stockbrokers, UK crude oil output reached 1.63m barrels a day in May, compared with 1.47m barrels a day in April.

The previous peak for North Sea production was in February, when output averaged slightly more than 1.5m barrels a day.

The UK is expected to reach net self-sufficiency in crude oil production in the second half of next year. More than 45 per cent of North Sea output is being exported, however, with the balance of UK needs met by imports of less expensive, heavier foreign crudes, mainly from the Middle East.

In the second half of the year, however, more North Sea oil might remain in the UK as the British National Oil Corporation renegotiates some existing contracts with overseas buyers to direct more crude sales to the home market.

Exploration

Apart from the growing contribution from the Ninian Field, the Occidental Group's Piper Field also showed a big increase in production last month, with output rising to an average of 307,000 barrels a day, compared with 236,000 a day in April. Production from the Forties Field averaged 484,000 barrels a day, and from the Brent Field, 216,000 a day.

According to Wood Mackenzie, the recent steep rises in North Sea oil prices have finally restored them in real terms to the level of world crude oil prices prevailing in 1974.

North Sea prices may be expected to rise again next month after new world increases to be decided by the Organisation of Petroleum Exporting Countries, meeting in Geneva tomorrow.

North Sea oil prices closely follow the levels set by OPEC's

Continued on Back Page

Companies act to alter U.S. tax treaty

BY MICHAEL LAFFERTY

A GROUP of about 40 major British companies has launched a last-minute campaign to have the long-delayed UK-U.S. Double Taxation Treaty amended, to prevent the use of the controversial unitary tax system in the U.S.

The group, which includes BAT Industries, EMI, Reckitt and Colman, Bowater and Glaxo, is meeting at the House of Commons tomorrow. A motion tabled in the House by six Conservative backbenchers supporting the British companies' stance has already been signed by nearly 100 MPs.

If the campaign is unsuccessful, it is being suggested that one of the companies concerned may take its grievance to the U.S. Supreme Court, in the hope that unitary tax will be declared unconstitutional on the grounds that it hinders international trade.

Income

Under unitary taxation, companies are taxed on a proportion of their worldwide income, rather than on the more conventional basis of their local trading results. The system, already operating in California, Alaska and Oregon, is described as "pernicious" by the British companies and "containing dangerous precedents for other countries to follow."

The UK companies fear that five more states will adopt the same methods, while at least eight more states are said to be moving in the same direction.

The tax treaty was negotiated as long ago as 1975, with amendments in 1976 and 1977. As originally drafted, and approved by the Commons in 1977, the treaty prohibited the application of unitary tax to British companies trading in the U.S.

The ban on unitary tax turned into an issue of state versus federal rights in the U.S.—which has delayed the implementation of the treaty—with the result that last year the Senate Foreign Relations Committee only granted its approval for the pact with a crucial reservation excluding the unitary tax clause.

The treaty was then renegotiated between the two governments, but no effort has been made to re-insert a U.S. ban on unitary tax in revised form. the treaty was recently approved by the U.S. Senate Committee and will shortly go before the full House.

Only when U.S. ratification is complete will the treaty come before the House of Commons for approval.

The Conservative MPs' motion, tabled in the names of Mr. Geoffrey Rippon, Mr. William Clark, Mr. Peter Hordern, Mr. Michael Grylls, Mr. Roger Moate and Mr. Patrick McNair Wilson, reads:

"That this House is of the view that a vital feature of any relationship between the United States and the United Kingdom regarding relief for double taxation should be a clear understanding prohibiting use of the worldwide combined reporting system (unitary tax) in assessing the tax of corporations doing business in both countries . . . and urges H.M. Government to do its utmost to ensure that any contrary arrangement be rectified so as to avoid a harmful international precedent and serious consequences for both British and U.S. companies with overseas interests."

The CBI has recently written to Sir Geoffrey Howe, the Chancellor, suggesting the treaty should not be ratified in its present form.

'Unjust'

In his statement with the 1978 accounts Lord Erroll of Hale, the chairman of Bowater, says that, if widely adopted, unitary tax systems "could cause groups of companies which operate internationally to suffer multiple taxation of their profits. This would clearly be both unjust and inimical to the proper flow of international investment."

One of the Tory MPs, Mr. Michael Grylls, said in a statement in the U.S. recently that he marvelled that the UK and the U.S. "which together have the largest number of multinational corporations in the world, and thus the most to lose from setting such a precedent, would negotiate such an open-ended arrangement making available this practice of multiple taxation to other countries and their political subdivisions."

A statement prepared by the British companies says that if the amended treaty is ratified, "unitary taxation will have been given a cloak of respectability, and there is no doubt that it will be taken as an example to be followed by other nations. There are indications that this is already the case."

British executive pay draws nearer foreign levels

BY JASON CRISP

ALTHOUGH British executives are still worse paid than most of their counterparts in other leading industrial countries, the gap has been narrowed sharply by recent cuts in income tax and the relative strength of sterling.

As in previous years the gap between the UK and other countries is widest in terms of gross pay, and narrowest in purchasing power. Though the UK is still cheaper than most countries, this advantage of purchasing power is reducing,

A CBI guide to West European living costs says the most expensive place to base a sales manager is Vienna. He might have to be paid £26,000 to meet these costs.
The CBI also says most UK pay settlements are producing rises of 10 per cent or more. Page 6

warns a report by Employment Conditions Abroad, an information-gathering agency funded by other companies.

"Last year only Canada and South Africa were shown as cheaper than the UK. This year Australia, Canada, Singapore, South Africa and the U.S. are cheaper, or about the same as the UK."

A comparison of three job levels — £9,600, £13,200 and £18,800 — with 12 other countries by ECA shows that the British executive is consistently worst paid.

In some instances the differences in gross pay are quite dramatic. At the equivalent job level to the £18,800 in the UK, the Swiss executive is paid over £60,000 and the West German £54,000. The nearest to the UK was the South African, paid just over £24,000.

But according to Employment Conditions Abroad, the gap between gross remuneration of the UK executive and average executive levels have narrowed by 10 per cent.

Comparison of net remuneration shows the gap to have declined by 20 per cent, thanks to cuts in income-tax and the strength of sterling.

On the most important comparison of relative purchasing power, the gap has decreased by only 10 per cent because the strength of sterling makes Britain comparatively more expensive. The increase of VAT will reduce further relative purchasing power in the UK.

Commenting on its report, Employment Conditions Abroad says: "Within the broad picture there are several variations. Spain has climbed the league table as a result of tax reductions . . . and because the peseta has held its own with sterling.

"The U.S., on the other hand, has been adversely affected by the weakening of the dollar, and has lost its leading position to Switzerland, followed by France and West Germany."

1979 Inter-country Executive Remuneration Comparisons, published by Employment Conditions Abroad, Devonshire House, 13, Devonshire Street, W1.

EXECUTIVE REMUNERATION COMPARED

	Gross pay £	Net after tax* £	What that buys £	Gross pay £	Net after tax* £	What that buys £
UK	9,600	7,322	7,322	18,800	12,755	12,755
Belgium	29,059	17,473	13,758	55,240	27,054	21,302
France	21,384	17,058	14,097	44,104	32,226	26,633
Netherlands	25,023	13,786	11,488	49,088	21,256	17,713
South Africa	11,984	8,681	11,129	24,397	13,150	16,859
Spain	18,473	14,699	13,242	38,842	27,979	25,206
Sweden	18,300	7,675	6,043	31,480	8,983	7,073
Switzerland	33,675	23,365	15,271	63,476	38,221	24,981
U.S.	19,943	13,051	13,595	37,793	21,017	21,893
W. Germany	27,267	17,976	14,267	54,059	30,739	24,396

* After employee social security contributions and UK tax at the rates introduced in the June 1979 Budget.

Source: Employment Conditions Abroad

Building society net receipts may be halved this month

BY ANDREW TAYLOR

BUILDING SOCIETY net receipts may be halved this month, judging by the level of withdrawals and deposits during the first couple of weeks of June. In addition to the usual seasonal demand for holiday cash, it is estimated that the buying spree before the Government's VAT increase reduced societies net receipts by £50m. The final figure may be higher as the effect of credit purchases works through.

It is thought that on present performance net receipts this month may be about £150m, compared with just over £300m in May.

The June figures are not due to be announced until July 13, when building society leaders are to meet to decide whether or not to raise society interest rates.

These have fallen behind and become uncompetitive with bank and local authority loan rates since the two-point rise in Minimum Lending Rate announced in the Budget.

Prospects

However, it is difficult to ascertain exactly how much of this month's expected decline in building society net receipts is due to uncompetitive interest rates.

By the end of this month — on present trends — about £100m may have been lopped off net receipts as a result of VAT measures and other pre-Budget and seasonal spending.

Building society leaders, however, are more concerned about interest rate prospects and the longer-term effect this will have on their funds.

As the deadline for the July 13 meeting of the Building Societies Association moves nearer, more and more building society chiefs appear to be coming round to the opinion that their rates will have to rise if funds are not to fall behind—at a time when demand for homeownership like house prices continues to rise.

OVERSEAS NEWS

Syria hunts for 12 men after Aleppo massacre

BY ROGER MATTHEWS IN CAIRO

THE SYRIAN authorities have issued the photographs of 12 men wanted in their hunt for those responsible for the massacre at an army barracks in which more than 50 cadets are believed to have died. Two of the wanted men are pictured in army uniform.

The death toll, originally given as 32, is understood to have risen as more cadets died from injuries received in the shooting at the artillery school in Aleppo nine days ago.

In official statements the authorities have blamed the extreme right-wing religious faction, the Moslem Brotherhood, which in contacts with journalists in Beirut over the weekend claimed that it was going to step up its violent campaign against the Damascus regime.

It is said in Beirut that the brotherhood held a secret congress in West Germany recently during which a programme of action was mapped out.

The murder of the cadets is said to have been masterminded by a Captain Ibrahim Youssef after he had been "bribed" by the brotherhood. Unconfirmed reports in Damascus say that the cadets were summoned to a meeting by Captain Youssef who told all Sunni Moslems to leave the hall. The remaining cadets were then cut down with machine-gun fire and grenades.

Those remaining are said to have been almost all Alawites, a minority group which represents about 13 per cent of the population and to which President Hafez Assad and other senior Government and military leaders belong. As Alawite power and influence has increased under Assad, so the resentment of some Sunnis, who are the majority group in Syria, has mounted.

President Assad is believed to be anxious to contain Alawite anger at the killings and to avoid the possibility of spreading inter-denominational strife. The tragic example of Lebanon where Syria maintains a peace-keeping force of 26,000 is all too apparent to the Syrian leadership.

The President has been holding talks over the weekend with Colonel Moammer Gaddafy, the Libyan leader. The discussions are understood to have centred on further united Arab action against President Anwar Sadat of Egypt.

Mr. Assad is due to visit Moscow later this week for talks that are expected to cover the general Middle East situation, as well as his request for extra shipments of Soviet arms, which has been a source of contention between the two countries.

It is not yet clear whether Syria's sudden pre-occupation with domestic issues and Iraq's worsening conflict with the new regime in Iran will prove a serious distraction from their efforts at rapprochement.

Ihsan Hyazi reports from Beirut: It is widely believed in the Lebanese capital that the Moslem Brotherhood committed the Aleppo massacre in an attempt to touch off an uprising which would halt the proposed Syrian Iraqi union under the leadership of a united Baath party. Two factions of the Baath party rule in the two countries. Both Syria and Iraq are ruled by factions of the party.

It is thought here that the brotherhood's action was aimed more against the Ba'ath Party than against the Alawites. The Party has been bitterly opposed by the brotherhood since the Ba'athists seized power in Damascus in 1963. Their coup ended a regime which had taken Syria out of union with Egypt and which was dominated by right-wing elements, including the Moslem Brotherhood.

Since then there has been a state of underground war between the brotherhood and the Ba'athists. Issam al-Attar, the 60-year-old leader of the brotherhood in Syria, escaped first to Lebanon, and eventually took up residence in West Germany.

Scrutiny of the names of cadets wounded in the Aleppo massacre and of their home towns, as printed in the Syrian Press, suggest that they are mostly Sunnis and not Alawites.

Observers believe the brotherhood wants to exploit the sectarian issue to achieve its objectives, especially resentment by the Sunni Moslem majority that many top posts in the armed forces and Government are in the hands of Alawites.

The brotherhood may also be preparing revolts in other Arab countries, hoping to ride the wave of Islamic resurgence that has swept the region following the Iranian revolution.

Setback for Pakistan nuclear project

Pakistan's continuing efforts to acquire a nuclear fuel reprocessing plant have received a serious setback with the withdrawal of the last of the French technicians advising on its construction at Chashma, south west of Islamabad, Chris Sherwell reports from Islamabad.

Although the move was foreshadowed last year, after U.S. intervention appeared to have won an end to the project, construction has since gone ahead rapidly. With the departure of two French engineers last week, co-operation is effectively at an end and the plant is now likely to be subjected to delays.

China refugee move

About 16,000 Chinese troops are now reported to be stationed on the Hong Kong border to stop illegal immigrants from crossing into the colony, Reuter writes from Hong Kong. Meanwhile Malaysia has relented somewhat in its tough policy towards Indochina refugees by deciding to admit to official UN camps about 2,500 of the Vietnamese stranded on its beaches. AP adds from Geneva that Mr. Poul Hartling, the UN High Commissioner for refugees has urged Malaysia to immediately stop preventing Vietnamese refugees from coming ashore while in Hong Kong the first British troops to help the colony stem the flow of illegal Chinese immigrants arrived yesterday.

Vietnam assures Thais

Vietnam gave assurances at the weekend that it would not encroach on Thai territory, Reuter reports from Bangkok. In Anchorage, Alaska, President Carter said Soviet leader Leonid Brezhnev has assured him that the Soviet Union would not establish military bases in southern Vietnam.

Sadat offer to Shah

President Anwar Sadat of Egypt has asked Parliament to pass a resolution allowing the exiled Shah of Iran and his family to take refuge in Egypt, Reuter reports from Cairo. The Shah, who was Mr. Sadat's guest after he left Iran in January is now in Mexico.

New Soviet 'Concorde'

A new version of the Tupolev-144, trouble-plagued Soviet counterpart of the Anglo-French Concorde, is reported to have made a successful supersonic flight to the Soviet Far East and the makers are ready to start mass production, Reuter reports from Moscow. The airliner was withdrawn from service last year after a crash.

Peking economic plan

China plans to invest $33bn this year in some 1,000 construction projects, Reuter reports from Peking. The New China News Agency, giving fresh details of the 1979 national economic plan at the weekend, said the projects would include 23 sugar refineries, seven paper mills, three cotton mills, five chemical fibre plants, eight coal bases, eight power plants and a cement works.

DAVID LASCELLES reports on New York's driest weekend

Tension in the petrol queues

NEW YORK has just gone through what was widely dubbed "the driest weekend of the year"—but because of petrol, not the weather.

The fuel shortage which began in California last month and crept eastwards, struck with full force at the end of last week. It sent the city reeling, despite the emergency measures that had been taken, including enforcement of the odd-even system whereby motorists can only buy petrol if their number plate is in the same odd-even category as the date.

Emotions began to run high on Thursday and Friday as motorists tried to stock up for the weekend, only to find queues which began at 5 am and stretched for miles, in some cases. By Friday night, more than three quarters of the petrol stations in the area had run out, prompting the Automobile Club of New York, for the first time ever, to urge motorists to stay at home.

The few filling stations that did open on Saturday were scenes of confusion and, sometimes, violence. In Queens, cars queued four deep for more than 10 blocks, with a wait of five hours. Tempers were frayed to the limit when garages started putting up prices, sometimes to $1.50 a gallon. Only six months ago the average price was 80 cents.

An eerie weekend resulted, with roads and resorts almost deserted and central Manhattan unnaturally quiet. Trains were crammed as people made for the beaches.

Commuters are now facing the coming week with anxiety and there are few signs that the situation will improve. Despit soothing messages from th authorities, few garages expe deliveries before mid-week. Th Government is reluctant to us powers to command the oil con panies to boost supplies, clain ing that the situation is fa more complex than the fumin motorist thinks.

The only glimmer of hope that the odd-even system di work in California. Once th initial panic was over, queue dwindled, petrol became mo plentiful, and life returne nearly to normal.

Foreign lending by banks slows

BY STEWART FLEMING IN NEW YORK

THE GROWTH of foreign lending by U.S. banks to public and private borrowers abroad slowed abruptly in 1978 according to the latest figures released jointly by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Reserve Board. But there was a significant rise in local currency lending overseas by U.S. banks, the study shows.

Analysts suggest that the slowing in across-border and across-currency foreign lending by U.S. banks is to be welcomed and probably reflects the more cautious attitude of the banks to this business in a period when lending margins have continued to narrow and when loan demand in the U.S. has been strong. The explanation of the increase in local currency lending may reflect better lending margins in a number of foreign countries but also the strength of demand for loans in countries like Brazil.

The bank regulators' figures cover claims on foreign residents held by all domestic and foreign offices of 129 U.S. banking organisations with significant foreign banking operations. They break up the lending by main categories: banks, public borrowers, and private borrowers.

The data shows that cross-border and non-local currency loans, which are most closely associated with country risk, increased moderately in 1978 rising 12 per cent from $194bn to $217bn. Most of this growth, however, represented increased claims on banks and related therefore to money market activities. The rise to public and private non-bank borrowers was only $2bn.

By comparison the survey shows that local currency lending to local borrowers by the foreign offices of U.S. banks increased by $9bn in 1978 to a total of $58bn. Most of the increases in both types of lending took place in the second half of the year.

The survey concentrated on data involving lending from a bank's offices in one country to residents of another country or lending in a currency other than that of the borrowers.

Of the total of $317bn of these cross-border or cross-currency loans at end of 1978 claims on residents of Switzerland and the Group of Ten developed countries accounted for 42 per cent of the total, another 21 per cent represented claims on residents of "other developed countries" and "offshore banking centres." Claims on residents of developing countries that are not oil exporters amounted to 24 per cent of the total business with other banks accounting for $116bn of the total.

Doubts over Turkish U-2 flights

By Metin Munir in Ankara

THE U.S. embassy in Ankara is to seek clarification of a statement by Gen. Kenan Evren, the Turkish Chief of Staff, who has been quoted as saying that his country would not allow American U-2 reconnaisance aircraft to overfly Turkish territory to verify Soviet compliance with the SALT II Treaty.

Gen. Evren made his statement at Istanbul airport on Saturday at the end of an 18-day visit to the U.S. and Canada when he was asked to comment on last Thursday's decision by the House of Representatives not to allow a $50m military equipment grant to be made to Turkey.

"Even if they gave $150m, we can make no concessions," the General was reported saying. "Under the present circumstances we cannot have U-2 flights over Turkey."

Gen. Evren also said that American aid to Turkey should not be linked to American reconnaisance overflights. He bemoaned the fact that the U.S. legislature was creating new problems for Turkey while it was going through an acute economic crisis.

The American Administration wants U-2 spy planes based in Cyprus to overfly Turkey which has a border with the Soviet Union, to collect data on Soviet nuclear activity. The data is said to be vital for verification and could help President Carter to convince a suspicious Congress that Moscow cannot cheat under SALT.

Mr. Bulent Ecevit, the Turkish prime minister has officially been approached already for permission for U-2 overflights. Mr. Ecevit, a social democrat who is pressing on with detente with Moscow, said that Turkey would consider the matter if the Soviet Union did not object and left it to Washington to find out.

Turkish military and civilian officials were unavailable for comment yesterday on Gen. Evren's statement. Very rarely does the General make public statements and such controversial outbursts are unique.

Weizman drops out of Israeli-Egyptian talks

By L. Daniel in Tel Aviv

MR. EZER WEIZMAN, the Israeli Defence Ministers, has persuaded Mr. Menahem Begin, the Prime Minister, to drop him from the six-man Israeli team negotiating autonomy for the West Bank and Gaza Strip in talks with Egypt which start today.

Mr. Weizman and Mr. Begin healed the rift between them over this issue and over Mr. Weizman's opposition to the Eilon Moreh settlement on the West Bank at a meeting early yesterday.

Lower-level negotiators failed last week to agree on an agenda for the talks. But Dr. Joseph Burg, the Interior Minister who is leading the Israeli team said yesterday that the session should be able to get down to serious business. It is not clear whether Mr. Begin will meet his Egyptian opposite number, Mr. Mustafa Khalil.

Mr. Weizman argued that the negotiating committee was too large and that its composition does not work for harmony. One of its members is Mr. Ariel Sharon, the Agriculture Minister and the main advocate of the Eilon Moreh settlement. He is known to be opposed to the unyielding stance on autonomy adopted by the majority of the Cabinet.

Renewed fighting likely in Iranian oil province

BY ANDREW WHITLEY IN TEHRAN

A RENEWAL of intercommunal fighting appears imminent in Iran's vital oil province of Khuzestan. A big march planned for today from Abadan to Khorramshahr, two adjacent cities at the head of the Gulf, could provide the spark, after mounting tension in recent days.

Disturbances have taken place in Khorramshahr and the inland oilfields capital of Ahwaz since Thursday. Several acts of sabotage have also occurred, including the burning of a warehouse in Khorramshahr.

The newspaper, Ettelaat, reported the arrest yesterday of six "Iraqi spies," said to have been behind the Khuzestan disturbances. They were detained by revolutionary guards while travelling between Khorramshahr and Ahwaz by road, and were said to have been planning acts of sabotage in Abadan.

The revolutionary guards are also reported to have captured six other "troublemakers" in Ahwaz and to have seized 16 automatic weapons and large amounts of ammunition.

Travellers returning to Tehran from Khuzestan say weapons are continuing to come across the nearby Iraqi border for the already well-armed dissident Arabs.

Afghan capital rocked by anti-regime protests

BY CHRIS SHERWELL IN ISLAMABAD

VIOLENCE erupted in the heart of the Afghanistan capital, Kabul, at the weekend when anti-government demonstrations were put down by Mr. Nur Mohamed Taraki's pro-Soviet regime. Scores of people were said to have been injured before an uneasy calm was restored.

On Saturday tanks were on guard at the airport, the new party and Government headquarters, key Government ministries and the Soviet embassy. Helicopters and aircraft flew overhead, some of them dropping pamphlets. Road blocks were set up and Soviet advisers were seen on the street with two-way radios. Shooting was reported from inside the palace of the people, formerly the presidential palace.

Claim against Citibank dismissed

BY OUR NEW YORK CORRESPONDENT

A NEW YORK judge has ruled that Mr. David Edwards, a former Citibank employee, has no legal grounds for pursuing his $14m wrongful dismissal suit against the bank.

Mr. Edwards' case had attracted international attention because of his allegations that Citibank manipulated its foreign exchange dealings so as to "park" its profits in favourable tax areas. He claimed that Citibank fired him because he tried to bring these alleged practices to light.

Justice Martin Evans of the New York Supreme Court ruled on Friday that Mr. Edwards had no formal contract with Citibank and no fixed term of employment. His claim that he was wrongfully dismissed therefore had no legal grounds, the judge said.

Citibank said it was gratified by the outcome. Mr. Edwards expressed disappointment but said he would consult his lawyers to see what further action could be taken.

Even if the Edwards case rests there, it will have left its mark on the foreign exchange industry, notably at Citibank, which is New York's leading bank.

His accusations led the bank to conduct a far-reaching investigation into its tax relations with European countries, which resulted in at least one case where the bank was found to have misrepresented its tax liability.

There were also fears in the banking community that the case would weaken public confidence in the foreign exchange business.

Brazil's bond market curbed

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL'S National Monetary Council has taken steps to discipline activities of banks, brokers and other financial institutions on the treasury bond and bills market.

This market, in recent times, has been a field of heavy speculation, artificially forcing up interest rates on bonds and bills, and keeping commercial and investment bank lending rates at over 55 per cent annually: a level that has contributed heavily to annual inflation now running at 45.9 per cent.

The Monetary Council has now banned financial institutions from overnight dealings on the open markets that are not covered by an institution's own assets.

In recent times, using a loophole in monetary legislation governing access by individuals or firms to the treasury bills they have purchased, financial institutions have regularly issued administrative cheques on one day, with clients' treasury bills (held at the Central Bank), not their own bills or reserves, as backing.

These cheques, known as "athletic cheques" in common parlance, were written to pay for Central Bank or Bank of Brazil cheques issued to compensate for an institution's daily cash shortages or losses.

Hereafter, the Monetary Council states, if banks need to cover a day's shortage or losses, they must back administrative cheques only with their own treasury bill. Furthermore, these bills must not have been negotiated previously.

OAS calls for Somoza replacement

BY HUGH O'SHAUGHNESSY IN WASHINGTON

THE Oragnisation of American States has voted for the immediate and definitive replacement of the Somoza regime in Nicaragua, but its move late Saturday stopped short of calling for the dispatch of a military force to the central American republic as called for by Mr. Cyrus Vance, the Secretary of State.

In the face of broad Latin American opposition to the idea of a military force, the U.S. dropped its plan and co-sponsored Saturday's resolution which was ultimately only opposed by Nicaragua and Paraguay.

The motion also called for the installation in Nicaraguan territory of a democratic government to include the principal anti-Somoza forces, guarantees of respect for human rights and the holding of free elections as soon as possible.

Mr. Vance's project for the dispatch of troops ran into the opposition of virtually every government in the OAS, as neither the right-wing dictatorships which have been criticised by President Carter for their human rights abuses, nor the more broadly democratic states wanted to set a precedent for any future U.S.-sponsored military intervention in the hemisphere. Mexico, which has a long historical memory, was particularly opposed to the U.S. idea.

Countries such as Venezuela and Panama which have backed the anti-Somoza forces fully were also concerned lest any OAS forces should act as a brake on the swift victory of the Sandinista guerrillas and the provisional government in Costa Rica with whom they are associated.

The vote in the OAS, a sharp diplomatic reverse for the Somoza regime, was deeply influenced by the television film of the killing of Mr. Bill Stewart of the ABC-TV network by a uniformed member of the pro-Somoza national guard in Managua last week.

At the same time it is a big boost for the anti-Somoza provisional government which is now based in neighbouring Costa Rica but which hopes soon to proclaim itself in Nicaraguan territory controlled by the Sandinista guerrillas.

Grenada joined Panama in recognising the provisional government at the weekend and the anti-Somoza forces have high hopes that other larger states will shortly extend recognition as well. Meanwhile from Nicaragua itself come reports of fierce but inconclusive fighting between the national guard and the Sandinistas in a number of towns.

Reuter adds from Managua: The Nicaraguan government radio told civilians to abandon their homes in Managua's north-east suburbs held by Sandinist guerrillas as the Nicaraguan army launched a big bombardment against rebel positions.

Lisbon approves compensation

By Our Lisbon Correspondent

THE PORTUGUESE Government, after months of discussion and delay, has agreed on a scheme to indemnify people whose firms were nationalised in the wave of take-overs which followed the 1974 military coup.

A decree-law just passed by the caretaker Cabinet, of Sr. Mota Pinto, says shareholders in nationalised companies, as well as the former owners of such firms, will be paid the first Es 50,000 (about £478) of their claims once the Finance Ministry has worked out the total amount such claims will cost the Treasury.

Indemnities will be the same for foreigners as for Portuguese. The state is to float internal loans to meet the immediate costs of the payments

Holland to cut spending

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH two-party coalition has gained parliamentary approval for an additional package of spending curbs, but only after threatening rebel backbench MPs that it would resign if its proposals were not accepted. The measures are aimed at curbing the growth of incomes and social security payments.

Opposition by MPs from both the Government parties to some of the measures led Mr. Willem Albeda, the Social Affairs Minister, to threaten the Government's resignation if the proposals were not accepted in full. The Government, which has a majority of four, pushed its measures through the lower house in a two-day debate. They will be considered by the upper house later this week.

Social security payments will now climb between 0.2 and 0.7 per cent less than planned while a similar curb will apply to the salaries of workers, many of them in the health service, whose pay is linked to that of civil servants.

The automatic indexation of wages to price rises will no longer apply to salaries of Fl 55,000 ($26,200) and above. Finally, the recent consolidation of some fringe benefits into the basic wage of building workers will not be allowed to work through on social benefits, the minimum wage and civil servants' salaries.

Many Christian Democrats, who form the senior of the coalition partners, wanted automatic wage indexation to cease from Fl 50,000 while the smaller Liberal Party was opposed to any limits on wage indexation.

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MBIA'S TRANSPORT CRISIS

. African hauliers press or re-opening of ferry

RNARD SIMON IN JOHANNESBURG

ffort to put pressure on o open all border posts frontier with Zimbabwe , the Salisbury Govern- allegedly refusing to e reopening of a key ıte from South Africa ia and Malawi.

ing to South African uliers, the Zimbabwe authorities have lown several requests sumption of operations Kazangula ferry, which oss the Zambesi River Botswana and Zambia ıt just a few hundred 'rom the Rhodesian

iginal ferry was sunk lesian security forces ter after they alleged as being used to shuttle equipment from o Botswana.

uck operators say that s destruction, the ferry ying about 14,000 tons valued at almost R40m a month. Abont two- this went to Malawi rest to Zambia.

the items conveyed el, cbemicals, mining and engineering equipment and soap powder.

At the instigation of the Zambian Government a new ferry was brought to Kazangula from the Upper Zambesi six weeks ago. However, the Rhodesians insisted that they would destroy this vessel too unless they received written guarantees from high-level Zambian authorities that it would not be used for the transport of arms.

This assurance, signed by four Zambian Cabinet Ministers, has now been given, the bauliers say. But the Rhodesians still refuse to allow the ferry to operate, despite an offer by the hauliers to dock the vessel in Rhodesian territory.

The Rhodesians bave also demanded the withdrawal of Zambian and Botswanan troops from the Kazangula area.

The bauliers are also not encouraged hy the attitude of the South African Goveroment, which bas been asked to allow trucks to cross the river at Katima Mulilo in Namibia, about 60 km west of Kazangula. So far permission has not been granted.

Besides threatening the livelihood of 30 banlage companies operating about 300 vehicles, the continued closure of Kazangula is having serious effects on some importantp rojects in Zambia and Malawi.

According to South African exporters, construction of the new Lilongwe Airport and a bydro-electric scbeme in Malawi is falling behind schedule because of equipment shortages.

Exporters insist that there is no alternative route for much of the material previously carried by the Kazangula ferry. Mucb of the heavy equipment involved cannot be carried on the rail route through Zimbabwe or by the sea-rail route through the Mozambique port of Nacala to Malawi.

The truck operators say tbat the activity of anti-government guerillas in Mozambique makes it unsafe to send the goods by road through that country.

In an attempt partly to alleviate the problem, a regular air freigbt service between South Africa and Malawi was started three weeks ago.

AT Dutch closure blocked

IARLES BATCHELOR IN AMSTERDAM

ıe British American company has been to reconsider plans to cigarette factory in ım by the Business of the local district AT, had hoped to move duction centre to

usiness Chamber ruled had not carried out negotiations with the ouncil and the unions nouncing its intention The company said it restart talks with the e.

hamber announced its after carrying out an tion into the company request of the food unions. A Works pokesman at BAT said t's decision—affecting tment and production f a company—was the kind.

urt decided, however, that there were no economic reasons for preventing the closure of the factory. Its inquiry had found that there was overcapacity in the Benelux, and it thought it an acceptable policy for the company to try to improve its profitability.

BAT has said it wants to shut down the factory because of overcapacity and the higb levels of excess duty in the Netherlands. It bad already moved some production capacity to Brussels in an earlier restructuring.

About 230 of the 400 employees would loose their jobs as a result of the closure, though a sales office would be maintained in Amsterdam.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (billions U.S. $)

	April '79	March '79	Feb. '79	April '78
U.S.	6,286	6,391	4,956	67
U.K.	16,277	16,846	16,034	16,138
W. Germany	42,279	42,649	38,463	32,709
Holland	6,590	6,568	4,132	3,923
France	14,014	13,893	8,993	5,229
Italy	15,419	15,436	11,394	7,379
Belgium	4,303	4,538	2,663	2,769
Japan	21,987	24,539	28,423	24,919

Source: International Monetary Fund

SHIPPING REPORT

Continuing decline in tanker rates

By Lynton McLain

WORLD OIL companies chartered at least 12 very large and ultra-large crude oil tankers last week for loading out of the Gulf, but, desplte the activity, owners reported that freight rates continued to fall sligbtly.

BP cbartered four VLCCs at Worldscale 36½ for loading from the Gulf this month for discharge in the West. The rate was a point lower than had been expected earlier in the week.

Independent charterers pald higher rates. A 330,000-ton VLCC was cbartered to a Greek company at Worldscale 39. An Italian operator paid Worldscale 42½ for a 210,000-ton vessel loading at tbe end of the month.

Owners this week are expected to resist pressure for even marginal falls in rates. The market for VLCCa may then pick up to the high levels of amall and medium-size tankers. Brokers said last week that all sizes and all markets provided good returos.

Exxon cbartered a 63,000-ton tanker for loading in the Caribbean and discharge on the U.S. Atlantic coast at Worldscale 300.

Time-cbarter rates across most markets moved up again and brokers were optimistic about prospects.

In tbe dry cargo sector, uncertain trading was lifted hy intense Soviet activity. The Russians chartered at least 20 vessels for trans-Atlantic trading at rates from £7,000 for a 60,000-ton vessel to £4,000 for a 30,000-ton ship.

The Atlantic remained a strong market all last week for ore and coal.

Honda expands in France

By Terry Dodsworth in Paris

HONDA, the Japanese vehicle and engineering group, is planning a FFr 60m (£6.7m) investment in France over the next six years. It is expected that this will include a factory to manufacture engines for boats, lawnmowers and roto-cultivators.

The Japanese company has a current annual turnover in France of about FFr 500m and is planning to move into new headquarters in the near future.

EEC-SOUTH ASIA TRADE

Indian subcontinent 'neglected'

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

SEVEN YEARS ago, at the time of Britisb enlry to the EEC, tbe enlarged Community undertook to safeguard the interests of tbe Commonwealth Asian countries.

In practice this bas proved a largely empty undertaking — and one wbich calls into question the EEC's wbole approacb to the developiog world. While attention bas been focused on the EEC's relations with the 56 African, Caribbean and Pacific countries which signed the original Lome Convention, virtually neglected have been EEC relations with the four countries in the Indlan subcontinent wbich house the bulk of the world's poor.

A newly published study by the Overseas Development Institute stressses tbat these relations increasingly represent the kind of trade pattern wbicb the developed world as a whole will ultimately develop with all poor countries.

'Viewed in this ligbt the pattern that bas emerged is a depressing one for many emerging countries. Schemes like the Generalised System of Preferences (GSP) may bave compensated for the loss of privileges, such as Commonwealth preferential tariff but reductions in tariffs have rapidly been overtaken by the emergence of numerous non-tariff barriers to trade, and in particular, quantitative restrictions on products sucb as textiles.

Here the study finds that the four countries — Bangladesh, India, Pakistan and Sri Lanka —are likely to be worse hit than the newly industrialising countries such as South Korea.

Products of interest to developing countries whicb compete with relatively labour-intensive industries in industrialised countries often retain relatively bigh tariffs. Examples of this are non-leatber shoes (20 per cent), handwoven carpets (24 per cent), tobacco (14-23 per cent), and molassea (65 per cent). Nominal tariffs frequently aeverely understate the degree of protection of value added. Tariffs often rise in line with the degree of processing of goods concerned, and protection for industry can be very higb. Tbere appears to be no correlation between developing countries' poverty levels and the benefits they received from the GSP.

> The study argues a case for abolishing all tariffs on imports from South Asia. It is estimated that this would add 3 per cent to current South Asian export values

The study argues the case for abolishing all tariffs on imports from South Asia. If tbis move was extended to all countries with annual income per head of under $265 (£130) it is estimated it would add 3 per cent to current Soutb Asian export values.

But South Asia would gain substantially more if the EEC eliminated non-tariff barriers on textiles than if it entirely removed all its tariffs. These barriers tend to be applied at national level rather than by the EEC, with France and Britain among the main offenders.

The barriers studied range from the variable levies on rice and sugar by-products to health, sanitary and labelling regulations, which in many cases are "inconsistent, deliberately discriminatory or insensitively applied."

Of the non-tariff barriers by far the most important are the quantity restrictions on textiles and clothing.

"Our assessment is that if the Multifibre Arrangement (MFA) is retained, more or less in its present form, South Asian producers . . . will suffer most in the long run."

Among the reasons advanced for this conclusion is that the MFA puts the greatest restraint on cotton textiles in which South Asia specialises; that the countries are less able to move into different product lines than Far East countries; and that refusal to allow "low-cost" suppliers to develop their comparative advantage in labour costs is particlularly serious for countries whose low-wage costs may remain their main potential asset.

The study describes the institutions set up to handle EEC relations with the four countries as being "of largely symbolic value" and argues that there is a prevalent EEC view which sees the developing countries providing raw materials rather than competing manufactures

This, and the EEC refusal to allow significant liberalisation of the GSP and other barriers of special interest to developing countries means the four South Asian countries must expect EECtrade barrlers to continue or get worse. Their main hope, the report suggests, is that the four take advanlage of the West's growing wilingness to give more generous trealment to the poorer countries and negotiate more as a bloc.

Vincent Cable and Ann Weston—South Asia's Exports to the EEC—Obstacles and Opportunities, The Overseas Development Institute, 10 Percy Street, London W1.

World Bank approves $214m loans to Egypt

WASHINGTON — The World Bank has approved loans and credits for Egypt totalling $214m to help finance new natural gas and thermal power projects. The two projects will cost over $632m (£315m).

The first, costing $167m, is for gathering, processing and transporting gas from the Gulf of Suez oilfields. Tbe hank is providing $75m and the Egyptian Government is paying the rest.

The Shoubrah El Kheima thermal project, to cost over $465m, involves the construction of a 900-megawatt power station in the Cairo suburbs. The World Bank is providing $102m and Its affiliate, the International Developoent Association, a further credlt of $37m.

Other financiers include tbe Egyptian Goverement ($121.9m) the IDA ($100m); the EEC ($35m); the European Investment Bank ($35m); and Japan ($25m).

The loans carry an annual 7.9 per cent interest rate.

● The International Finance Corporation (IFC), a World Bank affiliate, will help finance an $8.6m expansion of Ceylon Synthetic Textile Mills, in Srl Lanka.

Tbe IFC will provide about $3.5m in loans and equity investments in the project, to produce suiting fahrics and other textiles.

● Tbe Canadian Export Development Corporation has approved loans, surety and export credits insurance totalliog C$191.5m to support prospective export sales of $450.3m to a group of West African countries and 11 other countries.

Agencles

Curb on staff intake plans since election

BY JOHN LLOYD

MANY BIG employers have *scrapped plans to take on more* staff since the general election, according to a survey published today.

Manpower, the work-contracting company, reports that one of every two employers who forecast a staff increase before the election now expects "no change" in employment levels.

A survey by *Manpower* in late April showed that nearly 35 per cent of the 1,226 large UK companies surveyed forecast an increase in staff in the three months to the end of September, well above the proportion forecasting increases in the previous two years, about 26 per cent in each.

In a survey 10 days after the election the company found that nearly half those forecasting staff rises said "No change," bringing the proportion of employers forecasting "No change" to 77 per cent, well above the previous two years' levels.

Manpower says that the more pessimistic view is due to the announcement of curbs in public spending and local government recruitment, which are expected to affect many companies' order books.

"Others forecast a drop in consumer demand in the long term, following anticipated *increases in direct taxation.* Major pay settlements, renewed fears about inflation and the growing oil crisis have also curbed recruitment plans."

The survey shows that many companies believe that industrial production should strengthen in the next three months, following increased demand over the past 12 months.

The service sector is found more generally buoyant than the industrial one. Over two-thirds of service companies surveyed expected increased output, compared with just over half the manufacturing companies.

Ulster Unionist chief reconsiders resignation

BY STEWART DALBY

MR. HARRY WEST, leader of the Official Unionists, the largest Unionist party represented at Westminster, has been spending the weekend reconsidering his resignation as party chief.

He offered his resignation in a letter to an executive party meeting on Friday, saying he had made his decision following results of the European election. But the executive declined to accept it.

Mr. West ran a poor second to Mr. John Taylor, the only Official Unionist to be elected. All Unionist candidates were swamped by the Rev. Ian Paisley, leader of the Democratic Unionist Party, who was elected on the first count with 170,000 votes.

Mr. West managed to muster only 57,000 first-preference votes and was eliminated on the fifth count after adding only 10,000 more votes to his total.

MP calls for aid for fish farming

THE MAIN obstacles to the development of fish farming are man-made, according to a new pamphlet published yesterday.

The author, Mr. John Corrie, Conservative MP for Bute and North Ayrshire, says the necessary technological breakthroughs have been achieved.

He says man-made obstacles include lack of official encouragement and *investment* aids, insufficient veterinary facilities and research, inadequate disease control legislation and legal complications over ownership of fish in the sea and use of water.

Economic planners urge clearer accounting

By Michael Lafferty

THE NATIONAL Economic Development Office has attacked the system for setting company accounting standards.

The system, the office says in its evidence to the Accounting Standards Committee, "has tended to produce standards which are much, if not more, for the protection of the auditor, as for the improvement in the comparability and accurate disclosure of intelligible accounts."

It adds: "We would wish to see the present bias in favour of preparer and auditor, shifted towards the user of accounts—interpreted in the widest sense as including, for example, employees of the company."

On enforcing standards, the office is one of the few commentators to suggest that sanctions for non-compliance should include the power to recommend suspension of a company's share listing on the Stock Exchange.

'Dirty work'

The Exchange has recently told the accounting bodies that it regards the question of accounting standards enforcement as irrelevant. London Stock Exchange officials are said to be particularly concerned that they are being asked to do the accountancy profession's "dirty work" by enforcing standards on listed companies.

However, the Exchange is considering a suggestion that a review panel be established with accounting and City institutions' support to investigate departures from standards in listed companies' accounts.

The office says that consistency and the application of accounting principles should make possible valid comparison between the performance of different organisations. It considers that companies "have enough in common for a common accounting standard to be applied."

It wants binding and relevant standards to cover public and large private companies, and regards that as important for the proper sanctioning of financial and capital markets.

● The big London clearing banks have added their voice to suggestions that the Stock Exchange might take a more active role in enforcing accounting standards.

Wilson Committee wants more scope for film-making

BY ARTHUR SANDLES

SIR HAROLD WILSON will call for substantial additional changes in tax rules to make life easier for international show business personalities when he presents the report of the Action *Committee on the Film Industry* later this week.

Sir Harold's committee was set up by the Labour Government, and there is some question of how the present Cabinet will receive his recommendations. There are signs that the committee's report will be very much in favour of a self-supporting business with incentives and could therefore be smiled upon by the Government.

One particular aspect that has captured the attention of the committee is the rules which prevent many expatriate British actors, pop stars and film executives from working in the UK on a temporary basis, while allowing *foreigners*, mostly Americans, to work in Britain and escape the British taxman.

The committee is likely to urge the chancellor to take a completely new look at taxation in a field where earnings can be very high for a very brief period. It will suggest that more films would be made in the UK if more of the profits or fees could be retained.

Another aspect of film-making which has interested the committee is the Eadie Fund, a scheme set up after the war *which uses* a levy on money paid to see all films to give bonus payments to British pictures.

In recent years the money had tended to go to X films and soft porn productions, the type of domestic film which sells well. Sir Harold is likely to recommend some sort of sifting which would award Eady money on *merit rather than box-office* growth.

This could prove a difficult problem, since any system apart from using box office receipts as a guide would mean setting up a select committee. There might be some pressure for the cash to go to the National Film Finance Corporation, which would *substantially revive* its fortunes.

The broad basis of the Wilson Report recommendations will be to make Britain an attractive place financially for the world film industry, and particularly to reward British investors, stars and technicians who work on quality productions.

Companies facing tough time, say brokers

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING that companies are about to face the toughest financial conditions since 1974 has come from the City stockbrokers L. Messel.

In its Weekly Gilt Monitor the firm highlights the pressures on companies from virtually static export prices and *from falling profits.*

The rise in interest rates is likely to aggravate this problem because "the corporate sector has more interest-paying liabilities, principally bank loans, than interest-bearing assets."

Messel questions if the 12-month rate of retail price inflation can really be as high as 13½ to 17½ per cent "when the money supply is growing half as quickly and the pound seems, for some reason, to be irresistibly attractive to foreigners."

It says "the answer must be possibly, but not for long and, even then, only by bankrupting British industry." In this context "the apparent eagerness of Sir Geoffrey Howe, the Chancellor, to talk up the inflation rate is very unhelpful."

The brokers Wood Mackenzie say that after excluding impact *of the* value-added tax increase, the rate of inflation is likely to peak at about 14 per cent early next year.

Inflation prospects are "worrying" to Phillips and Drew, which forecasts a 15 per cent average earnings rise in the pay round and 15-16 per cent price inflation in most of next year.

VAT levy on holiday charges dropped

BY SUE CAMERON

TAX OFFICIALS have abandoned plans to levy a 7 per cent value-added tax surcharge on holiday payments made before the Budget on June 18.

Butlin's, one of the biggest UK holiday operators, said yesterday that 300,000 of its customers would have been liable to pay the surcharge. *The extra cost for a week's* holiday for a family of four at a Butlin's centre would have worked out about £7.

Butlin's started discussions with Customs and Excise officials about the possible effects of a VAT rise before the Budget announcement that it was going up from 8 per cent *to 15 per cent.*

At first, officials insisted that a 7 per cent VAT surcharge would have to be levied on all holiday payments made to Butlin's before June 18—including deposits.

The decision affected Butlin's more than many other holiday operators *because of its payments* system. All money paid to the company *is* treated as a returnable deposit until three weeks before the start of a holiday, when invoices are sent out for the balance of the cost.

Some customers, however, pay for their holidays in full long before they receive an invoice. That money would have been liable to a 7 per cent surcharge because it is treated as returnable.

Customers invoiced after June 18, however, must pay the 7 per cent VAT increase.

Nuclear protest

NEARLY 10,000 people have signed a petition protesting at plans by the Central Electricity Generating Board to test drill 200 acres of land at Druridge Bay, Northumberland, to find out if it is suitable for a £500m nuclear power station.

Coal Board plan may be revised

BY JOHN LLOYD, INDUSTRIAL STAFF

THE GOVERNMENT is expected to give only provisional endorsement to "Plan for Coal," the National Coal Board's proposal for more than £500m of investment annually over the next few years to underpin its expansion strategy.

Mr. David Howell, the Energy Secretary, and his Ministers have completed a review of the plan, and will give their recommendations to the Cabinet shortly.

The plan covers the period to 1985, but the Energy Department's review is thought to recommend agreement with its objectives only to 1982 or 1983.

Also, the Board is likely to be asked to make what cost savings it can, while continuing with its modernisation programme.

The NCB has several short- and long-term difficulties, which threaten its increased output targets—it has said it will supply 75m tonnes to power stations.

The short-term difficulties include:

● A steep drop in production and productivity in the first few months of 1979, owing largely to severe weather and the transport strikes.

● A continued fall of productivity and output in certain areas.

● Severe geological faulting in the Midlands, one of the most productive areas.

The NCB, in co-operation with the mining unions, has launched an all-out drive to increa[se] production.

However, as both Sir Dere[k] Ezra, the NCB chairman, a[nd] Mr. Joe Gormley, the preside[nt] of the National Union of Min[e]workers, admitted last week, [it] will be difficult to supply t[he] NCB's major customer, t[he] Central Electricity Generati[ng] Board, with the 75m tonnes [it] has asked for this year.

It is consideration of the difficulties which lie behind t[he] Generating Board's continu[ed] intention to make long-ter[m] contracts for coal imports [—] possibly as much as 5m tonn[es] —from Australia and Polan[d]. The NCB, while tacitly conce[d]ing the case for imports, [is] adamant that such purchas[es] should be on the spot mar[ket] only.

The longer-term problem[s] which face the Board include:

● A continued drop in produ[c]tion and productivity in old pi[ts] coupled with a strong postu[re] taken by the NUM against [pit] closures, even where they a[re] unprofitable.

● Contractual and other dela[ys] in opening new capacity, whi[ch] is exacerbated by the great[ly] lengthened period now requir[ed] to gain planning permission, a[nd] to satisfy the objections of loc[al] and environmental groups.

● A high turnover of labo[ur] which hits productivity. Th[is] year, the NCB expects to hi[re] about 30,000 mineworkers.

'A' levels to stay in spite of pressure from schools

THE GENERAL Certificate of Education "A" Level examination is to remain the passport to higher education — in spite of pressure from the Schools Council and the National Union of Teachers.

Mr. Mark Carlisle, Education Secretary, has rejected proposals from the Schools Council, the advisory body which represents schools, further education and local education authorities, to replace "A" levels with a two-tier "normal" and "further" level exam.

Mr. Carlisle told Mr. John Tomlinson, chairman of t[he] council, that he was impress[ed] by the arguments of those [—] like the universities and t[he] CBI — who said standards mig[ht] fall. He felt there was no co[n]*sensus behind the new syste[m].*

The Department of Edu[ca]tion and Science said yesterd[ay] that it was widely felt that the[re] were faults in the "A" le[vel] system, but that no other pl[an] had commanded general su[p]port.

The National Union [of] Teachers said it was "deep[ly] disappointed" by the decisi[on].

Thorpe questions for law chief

BY PHILIP RAWSTORNE

SIR MICHAEL HAVERS, Attorney-General, will face angry questioning from MPs in the Commons today over the handling of the Jeremy Thorpe trial.

Labour MPs are expected to demand a full explanation of the decision by Sir Tony Hetherington, Director of Public Prosecutions, to bring the case to trial.

Criticism will also be focused on the system of public committal proceedings and on the involvement of newspapers in attempts to buy the stories of witnesses in the case.

Mr. Dennis Canavan, Labour MP for West Stirling, said at the weekend that the trial had "made a laughing stock of the British legal system."

Mr. Canavan and Mr. Christopher Price, Labour MP for Lewisham West, have tabled wide-ranging questions about the affair.

The Attorney-General, who was the Opposition's legal spokesman when the proceedings began, said yesterday that he had not seen the papers on the case.

The trial, he said, appeared to have demonstrated "how well and fairly" the legal system worked.

On the role of newspapers in the affair, he added that the Press Council was carrying out an investigation.

Mr. Thorpe, acquitted of conspiracy and incitement to murder, refused to commen[t] at the weekend on his plan[s] for the future. He celebrate[d] at a party with friends.

Some Liberal officials in hi[s] former North Devon constitu[ency] said that they would lik[e] Mr. Thorpe to return as th[e] party's candidate at the nex[t] election.

Mr. Clement Freud and Mr Cyril Smith, Liberal MPs hav[e] indicated that they would sup[port] a political come-back b[y] Mr. Thorpe.

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Bearings loss forces Fafnir to close plant

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

ANOTHER BOUT of rationalisation in the British bearings industry is under way as companies are being forced to adapt to conditions of world over-capacity and poor profitability.

Fafnir, a subsidiary of the American Textron corporation, will be closing one of its two factories in Britain over the next few months with the loss of 660 jobs.

The company had already reduced employment at its Hednesford, Staffordshire, plant by 300 over the past year. But the plan drawn up last year to concentrate standard bearings production at the plant has not brought about the expected savings and the decision has been taken to close it altogether.

Fafnir says that Hednesford is losing more than £1m a year. The closure involves 600 jobs at the factory and 60 staff jobs at Wolverhampton, where Fafnir makes specialised bearings mostly for the aerospace and machine tool industries.

Wolverhampton is faring much better than Hednesford, and can expect to benefit from the expansion in the aerospace industry. The Government has already decided that it will not make any attempt to get Fafnir to change its mind on Hednesford, which is a modern factory that has bad considerable investment.

Fafnir's decision follows that of SKF, the Swedish-based group, to cease bearings production at its plant in Irvine, Scotland, earlier this year. That led to the loss of 600 jobs.

Dumping

Britain's biggest bearings manufacturer, Ransome Hoffman Pollard, is also looking at its operations in the light of intense pressures on margins. The group's total employment is about 9,500, scattered over eight factories making bearings and two plants making other products.

One of these, run by MTE, makes electrical equipment for control systems, and is contributing almost as much profit to the group as bearings, although with only 10 per cent of the turnover. On the basis of output per employee, RHP is obviously overmanned compared with leading competitors.

Recent management changes at RHP, involving the appointment of Mr. W. Holmes from MTE to become managing director, can be expected to focus attention on rationalisation.

Before the closure decisions of SKF and Fafnir, the industry was employing 19,500 in Britain, which was 8,000 fewer than 10 years ago. Competition from Japanese and East European producers has intensified the pressure on European manufacturers, who have all been suffering from poor order books in the past few years.

The bearings industry is capital-intensive and requires a high volume of output to justify the necessary investments levels.

At the European level, efforts continue to bring dumping charges against both the Japanese and East Europeans. The European Commission is studying the case, but, following the European Court's recent verdict on an earlier dumping case between the Commission and the Japanese industry, it is thought likely that there will have to be a change in the dumping regulations. It is hoped that this will be considered next month by the Council of Ministers.

The costliest place to work

FINANCIAL TIMES REPORTER

A BRITISH company employing a sales manager on the Continent might have to pay him up to £26,000 a year to meet living costs associated with his status, according to a survey published today.

The Confederation of British Industry's general guide to West European Living Costs, an aid to those preparing industrial or sales operations in the countries surveyed, says that the most expensive place to base a sales manager would be Vienna.

Its cost of living might lead to demands for a salary of nearly £26,000 from a sales executive transferred from London or a locally-hired person. "That is the kind of pre-tax pay the best Austrian sales managers earn," the CBI says.

Similar costs are found in Switzerland (£23,010 a year) and Belgium (£22,282), while in the UK, gross pay of a sales manager is estimated to be about £8,940.

Fifteen countries are covered in the survey. Only in Portugal is the salary lower than in the UK.

Although at sales manager level, the Austrian salary appears nearly three times that in Britain, pre-tax pay for Austrian skilled and unskilled workers is very similar to British levels for the same jobs, except that Austrians collect 14 months' pay for a year's work.

However, the CBI admits that comparisons are "odious. Incomes and prices have to be related to local conditions, not to Britain. What may seem astronomical pay for the sales manager or the skilled man may not necessarily bring him a better standard of living than he had at home."

Among the comparisons made are costs of accommodation, clothes, entertainment, education and transport. In Holland, according to the guide, a detached house could cost £150,000, while it is estimated that a similar house would cost between £35,000 and £70,000 in the UK.

West European Living Costs 1979 (CBI Publications, £12).

Most pay deals still give 10% rise—CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

The majority of pay settlements are still producing rises of 10 per cent or more according to figures released today by the Confederation of British Industry's pay data bank.

After allowances are made for wage drift and overtime earnings, this is in line with Government statistics, which show that wages have risen by 13 per cent in 14 per cent over the past 12 months.

The CBI's pay data bank now has information of just over 1,300 pay deals covering 7.3m people during the pay round which began last summer.

A detailed analysis of 1,234 of the settlements covering 3.9m employees in private company and public sector settlements shows that most people have received 10 per cent or more in basic rises and productivity deals.

Only 9 per cent of the 3.9m employees received basic increases of 5 per cent or less, and just over half of them also had productivity deals which added an average of 5 per cent or more to their pay packets.

State scientists asked to strike

BY CHRISTIAN TYLER, LABOUR EDITOR

CIVIL SERVICE scientists and technicians are being called out on strike from to-day as selected Government establishments in support of better pay offers.

The action follows last Friday's one-day token strike by the Institution of Professional Civil Servants. Disruption to airline flights on that day will not be repeated, however, since the union has no plans to ask its air traffic control members to strike again in sympathy.

First targets for indefinite strike action include the Royal Ordnance factories at Bishopton, near Glasgow, at Chorley, Lancs, and at Radway Green, near Crewe. Production of chemical explosives and bullet and shell cases for the armed forces may be interrupted.

IPCS members at the RAF maintenance unit at Kemble and the Royal Navy Hydrographic Department at Taunton—which makes maps for the Navy—have also been called out.

Elsewhere, work is being slowed down by the union's "withdrawal of goodwill." Places affected include the four naval dockyards in Britain and one in Gibraltar, and the RAF experimental establishments at Farnborough and Bedford, the union said yesterday.

Forensic scientists employed by the Home Office are working to rule, which may delay analysis of breathalyser and blood tests on motorists.

The union said today's action would not seriously affect defence, but would "cause considerable inconvenience to the chiefs of the armed forces."

Mr. Bill McCall, general secretary of the IPCS, said: "We dislike taking militant action, but we are not prepared to tolerate the cavalier and irresponsible attitude of the Civil Service Department."

The IPCS wants increases of 36-47 per cent for its 50,000 professional and technical members based on the upper quartile of the latest findings of the Civil Service pay research unit.

It has been offered rises of 16.3 to 24.1 per cent by the Civil Service Department, which says the scales should be based on median figures.

It is also protesting about the department's refusal to link the pay of its 20,000 scientists to the 25 per cent average rise for administrative grades. Scientists will not be included formally in the pay research system until next year.

London Airport

● Heathrow Airport was back to normal yesterday after two days of disruption caused by Friday's 24-hour strike.

Three inter-continental flights which were delayed overnight—a British Airways service to the U.S. together with a British West Indian Airlines and a Pakistan International flight—were leaving yesterday and the British Airports Authority said it was "a normal busy Sunday."

Although there could be slight delays to some flights to Spain or those using Spanish air space, due to a work to rule by Spanish air traffic controllers, the authority said that no problems were predicted.

Co-op shopworkers will vote on 12-18% rise

BY OUR LABOUR STAFF

PAY RISES of between 12-18 per cent for 200,000 Co-operative shop workers will be voted on by members of the Union of Shop, Distributive and Allied Workers over the next four weeks.

The union said its executive council had recommended the increases, which would be worth between £5-£8 a week for distribution workers and £8-£11 for supervisors and managers.

The increases would be backdated to May 7. An adult shop assistant's minimum rate would go up to £47 a week, plus £1.85 "unsocial hours" payment for Saturday work.

General assistants, who had a £2 rise in December, would get £4 more, plus a further £1 a week in November. Specialist sales assistants would receive a minimum £51 a week, and supervisors of non-food departments with a weekly turnover of £10,000 would get £61.

Store managers' rates would be £81 at £5,000 turnover, £95 at £10,000, £104 at £15,000, and £118 at £30,000.

The result of the voting is expected by July 17.

Liverpool Port poised for return to normal working

BY OUR LIVERPOOL CORRESPONDENT

LIVERPOOL PORT is expected to be working normally this morning after industrial action over the past fortnight that has cost it an estimated £1m.

Nearly all the 4,000 registered dockers who have been on strike for a week, over a claim for wider pay differentials voted nine to one yesterday to accept their shop stewards recommendation to return.

Holdsmen, whose walkout led to the stoppage, protested that they would not return.

Seven hundred shore gang men who have been out for a fortnight over a separate pay grievance had previously voted to return today to allow further negotiations with private employers; and 700 clerical workers employed by the Mersey Dock and Harbour Company have called off their work-to-rule, also over pay.

Mr. James Fitzpatrick, managing director of Mersey Docks, said that both sides had agreed to a 14 per cent pay package in April and an increase would be possible only through a self-financing productivity deal.

Aid hinges on workforce

BY STEWART DALBY

MR. GILES SHAW, Parliamentary Under-Secretary for Northern Ireland has told members of the state-owned Harland and Wolff shipyard that further Government assistance will hinge on better performance.

The shipyard—one of Ulster's three main industrial employers—lost £25.4m last year.

The yard, which employs 8,000 men, receives 30 per cent in subsidies on the contract price of orders, as do other British shipyards. In giving this subsidy, the Government has met opposition from the EEC Commission.

In 1976, the shipyard almost broke even; but in 1977 it lost £7.8m.

In the recent annual report, Sir Brian Morton, chairman, hinted that poor productivity from the labour force was responsible for 1978's bad figures.

It is thought that Mr. Shaw, who met a 30-man delegation from the Confederation of Shipbuilding and Engineering Unions and the Amalgamated Union of Engineering Workers, promised Government assistance in obtaining orders. It seems there was talk of a possible new cross-channel ferry order, and also some possible Navy work.

Mr. Shaw made the point, however, that Harland and Wolff would come within the scope of a review of British shipbuilding which is under way. In making the point that productivity must improve, he was rubbing home the message of Mr. Humphrey Atkins, the Ulster Secretary, in a Belfast speech last week.

Welsh job outlook gloomy

BY ROBIN REEVES, WELSH CORRESPONDENT

WELSH EMPLOYMENT prospects are likely to deteriorate rapidly over the next few months, Mr. Nicholas Edwards, Secretary of State for Wales, warned in Llandrindod Wells, Powys, at the weekend.

He told the annual meeting of Welsh Conservatives that Welsh Office forecasts he had inherited on assuming office indicated unemployment—presently some 8 per cent—would go sharply higher later this year, even without any change in policies.

"The situation facing the steel industry is particularly grim and difficult," Mr. Edwards stressed. The British Steel Corporation was planning "sub-de-manning" on top of the jobs already lost at East Moors and Ebbw Vale.

He was equally gloomy about the outlook for the Welsh coal industry. The recent report on the options for restoring the South Wales coalfield to profitability made "pessimistic reading," he said.

Perkins fears 'careless talk'

TEN THOUSAND office and factory workers at the Perkins of Peterborough diesel engine company have been warned that careless talk might lead to leaks of confidential information.

Perkins has told employees in their house newspaper not to discuss their work with anyone. The company claims to have evidence that confidential papers have been obtained by outsiders.

FT GROCERY PRICES INDEX

Dearer meats and dairy produce add two points for new peak

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

CROCERY PRICES continued to ris sharply during June according to the latest Financial Times shopping basket.

The FT Grocery Price Index increased by 2.1 per cent to reach 116.02, its highest level since the basket was re-launched in March last year.

The rise in the basket—the second biggest increase this year—was mainly due to higher meat and dairy produce prices. In addition, fresh fruit and vegetables did not come down in price as is usual this time of the year mainly because of the recent wet weather.

The FT shopping basket is based on data collected by 25 shoppers who monitor 100 grocery items each month in the same food stores throughout the UK. The basket covers large and small stores but it is not intended as an absolute guide to food price movements. It provides an early indicator of price trends as the information is generally more up to date than official price indicators.

Since the Price Commission is shortly to be abolished, its monthly guide to fresh food prices as monitored by its regional offices will no longer be published.

In this month's FT basket, the cost of meat rose by almost £20 to reach £490.95. Beef showed the greatest increase with a joint rising by at least 10p to reach £1.60 per pound. Although lamb prices were more stable this month, pork was generally more expensive.

The increased meat prices in recent months have reflected a meat price rise on the Continent brought about by the value of the green pound. British producers have found it more profitable to sell in Europe than at home, causing a shortage of domestic supply which has led to higher prices.

The 5 per cent devaluation of the green pound agreed last week should help to increase domestic supply and thus bring prices down. The warmer summer — when less meat is usually consumed — will also help to keep prices in check.

But some producers have warned that beef and lamb prices might rise even higher this summer.

The other main reason for the rise in the basket's cost this month was the 1.5p per pint increase in milk prices from June 3. The increase had been imposed mainly to absorb wage rises of between 15 and 17 per cent for milkmen earlier this year.

The milk price rise meant that the cost of the dairy produce section of the basket rose by almost £20 to reach £548.50. Butter and cheese were generally more expensive, although the extra butter subsidy agreed by EEC Ministers late last week should lead to a fall in prices in next month's basket.

Although the steep rate of increase in fresh fruit and vegetables has been halted in this month's basket, the expected seasonal falls in price were not as great as had been expected. Lettuces, tomatoes and cauliflowers were all cheaper this month. But these lower prices were offset by the scarcity of root vegetables which pushed their prices up.

Lettuces are now 13p as opposed to 20p each last month while carrot ware up 1p per pound to 22p. Tomatoes are 44p per pound instead of 58p while onions have risen from 13p to 18p per pound.

Biscuits, cakes and jams were all marginally more expensive this month.

Inquiries about the grocery basket should be made to Lucinda Wethcralt at the Financial Times. The FT grocery prices index is copyright and may not be reproduced or used in any way without consent.

FINANCIAL TIMES SHOPPING BASKET
JUNE, 1979

	June £	May £
Dairy produce	548.50	529.28
Sugar, tea, coffee, soft drinks	179.86	178.24
Bread, flour and cereals	255.57	253.94
Preserves and dry groceries	95.52	95.05
Sauces and pickles	43.24	43.06
Canned goods	166.61	163.96
Frozen foods	201.24	202.60
Meat, bacon, etc. (fresh)	490.95	471.14
Fruit and vegetables	289.35	287.54
Non-foods	195.06	189.41
Total	2,465.90	2,414.22

Index for June: 116.02

1978: March 100; April 101.77; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67; December 105.10.

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Art Trade Exhibition (04024 46471) (until June 23)	Exhibition Centre, Bristol
June 25—30	International Food, Wine and Kitchen Exhibition (06264 2442)	Exhibition Centre, Harrogate
June 26—29	Microforum Europe '79 (01-405 6233)	Wembley Conference Centre
June 27—28	Transglobe Expedition Equipment Exhibition (01-439 6422)	World Trade Centre, E1
June 27—July 1	International Fisheries and Marine Equipment Exhibition—EUROCATCH (01-353 4585)	Olympia
June 30—July 1	Aldershot Tattoo and Exhibition (0252 24431)	Aldershot
July 3—4	EIA Engineering Exhibition (01-222 2367)	Metropole Centre, Brighton
July 4—6	Unit Load Show (01-908 2122)	Wembley Conference Centre
July 8—12	Autumn Lightshow (0245 88396)	National Exhibition Centre, Birmingham
July 23—27	How to sell into the Common Market Exhibition—IMPO EXPO (01-248 4444)	Wembley Conference Centre
July 23—28	Middle East Business Expo '79 (01-580 5816)	Grosvenor House
July 27—Aug. 1	British Musical Instrument Trade Fair (01-428 4700)	Olympia
July 29—Aug. 2	International Gifts Fair (01-855 9201)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
June 25—29	International Construction and Public Works Exhibition—CONPEX-ASIA (01-681 7688)	Singapore
July 2—6	International Exhibition for Opto-Electronic Systems—LASER (01-486 1951)	Munich
July 3—Aug. 1	Inaugural Trade Fair	Seoul
July 8—13	Summer Home Furnishings Market	Dallas
July 9—12	The National Housewares Exhibition	Chicago
July 16—20	Wood '79—The International Forestry Development, Timber Processing and Wood Working Exhibition	Singapore
July 23—28	International Engineering Exhibition	Melbourne
July 23—27	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
June 25—27	New York University: Cleaning, Coating and Finishing Metals (01-937 3163)	Kensington Hilton Hotel
June 26—27	ASM: Financial Aspects of Management for the Marketing Man (01-385 1992)	RAC Club, SW1
June 26	Wealden Press: Effluent and Water Treatment (089288 2366)	Albany Hotel, Glasgow
June 26—27	GIM: Organizational Behaviour (Rugby 812125)	Rugby, Warwicks
June 28—29	FT Conference: Domestic Banking (01-236 4382)	Dorchester Hotel, W1
June 28—29	IPC Business and Industrial Training (01-643 8040)	Amsterdam
July 1—6	University of Bradford Management Centre: Group and Personal Effectiveness—Skill with People (Bradford 42299)	Heaton Mount, Bradford
July 1—4	IPM: Practical Negotiation Skills—A workshop in negotiation effectiveness (01-387 2844)	Hemingford Grey
July 2—6	BACIE: Managing Effective Relationships (01-636 5351)	Sackville Hotel, Hove
July 2—13	Brunel Management Programme: Management of Research (Uxbridge 56561)	Uxbridge
July 3	Sheffield City Polytechnic: Uses and Abuses of Computer-Based Training (Sheffield 665274)	Sheffield
July 3—5	Fielden House Productivity Centre: Accounts for Non-Financial Managers (01-445 2426)	Nottingham
July 4	Microcomputer Consultants: Microcomputers '79—The Layman's Guide to Micros in Business (01-347 1939)—postponed until October 18.	Metropole Hotel, Birmingham
July 4	Mobile Training and Exhibitions: Teaching Business Finance in Schools (01-242 3067)	Bowater Conference Centre, London
July 4—5	Campaign Mideast/Arabian Marketing Research: Advertising, Public Relations, Press and Communications in Arabia (0822 3577)	Savoy Hotel, WC1
July 5—6	ESC: Summer Programme for Finance Directors and Company Accountants (067282 2711)	Portman Hotel, W1
July 8—13	Bradford University: Management Information and Modelling Systems (Bradford 42299)	Bradford
July 10	ASM: Business Law for Directors (01-385 1992)	Piccadilly Hotel, W1
July 12—14	Centre for Advanced Land Use Studies: Marketing Recreational Facilities (Reading 861101)	Reading University
July 13—15	Industrial Participation Association: Summer Conference (01-222 0351)	Churchill College Cambridge

This week in Parliament

TODAY

COMMONS. Debate on setting up of select committees related to Government departments. Motion on Industrial Training Levy (Engineers) Order.

LORDS. Limitation (Amend) Bill, second reading. Companies Bill, second reading. Short debate on efficient surveillance and control of vessels in North Sea.

TOMORROW

COMMONS. Motions on Wales Act 1978 (Repeal) Order and on Welsh Select Committee. Motion on Iron Casting Industry (Scientific Research Levy) Amendment Order. At 7 pm, opposed private business.

LORDS. Army, Air Force and Naval Discipline Acts (Continuation) Order.

WEDNESDAY

COMMONS. Finance Bill, second reading. Motions on Pool Competitions Act 1971 (Continuance) Order and Social Security Revaluation of Earnings Factors Order.

LORDS. Short debate on service sectors of British industry. Short debate on proper use of prisons to maintain law and order.

THURSDAY

COMMONS. Army, Air Force and Naval Discipline Acts (Continuation) Order. At 7 pm, opposed private business.

LORDS. Scotland Act (Repeal) Order. Iron Casting Industry (Scientific Research Levy) Amendment Order. Short debate on need for economy in fuel.

FRIDAY

COMMONS. Pensioners' Payments and Social Security Bill. Debate on multilateral trade negotiations.

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WEEK'S FINANCIAL DIARY

The following is a record of the principal business aod financial engagements doring the week. Tbe Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are ioterims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Do. 3.95pc (9½pc) Rd.Pf. 1984 1.925pc. Do. 3.95pc (5½pc) Rd.Pf. 81-83 1.925pc. Do. 4.025pc (5¾pc) Rd.Pf. 78-79 2.0125 pc. Do. 4.2pc (6pc) Rd.Pf. 78-80 2.1pc. Do. 4.2pc (9pc) Rd.Pf. 85-87 2.1pc. Do. 4.2pc (6pc) Rd.Pf. 86-88 2.1pc. Do. 4.55pc (9½pc) Rd.Pf. 83-84 2.275pc. Do. Db. 2, 2½, 2¾, 2⅞, 3½, 3⅞, 4pc.
Mid Southern Water Db. 1¾, 2½, 3½pc (87-91), 5½pc (86-88), 3¾pc, 4½pc, 5pc
Midland Bank Ln. 5¾pc. Do. Ln. 3¾pc
Midland Industries 6pcPf 2.1pc
Midland News Assoc. 6pcPf 2.8pc. Do. Ln 4pc
Miles Redfearn Ln. 3¼pc
Milford Docks Db 1¼pc
Minden Inv. Ln 4½pc
Mitchell Cotts 5½pcPf 1.925pc. Do. 4½pc

Rockware 6½pcPf., 2.275 pc
Romney Tst. Ln., 2¼ pc
Roiprk 9½pcPf., 4.75 pc
Rowntree Mackintosh, 9pcPf. 2.1 pc, 7pc Pf. 2.45pc 7½pcPf. 2.625pc
Rowton Hotels, 4½pcPf. 1.575pc, Db. 5¼ pc
Royal Worcester db., 5⅞ pc
Rugby Portland Cement Ln., 3, 3¼ pc
St. Andrew Tst. 5¼pcPf. 1.8375pc
St. Catherine College Cambridge Db. 3½pc
Samuel Props. db., 3¼ pc
Sanderson Keyser 9½pcPf., 2.275 pc
Savoy Hotel db., 4 pc
Savoy Theatre db., 2 pc
Schroders Ln., 4⅞ pc
Scot Bowyers Ln., 4¼ pc
Scottish and Mercantile Inv. db., 5⅞ pc

[illegible]

Drug exports 5% down this year

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE VALUE of UK pharmaceutical exports during the first quarter of this year dropped by 5.2 per cent compared with the same period in 1978 to £147.8m.

However, the value of imports rose by 18 per cent to £53.7m which gave a pharmaceutical trade surplus for the first three months of £94.1m, or 15 per cent less than the 1978 figure.

The Association of the British Pharmaceutical Industry said yesterday that raw material cost iocreases were the maio reasoo for the rise in the value of imports. Volumes had not increased substantially.

It added that difficulties in both the Nigerian and Iranian markets were largely responsible for the drop in UK exports of pharmaceuticals. Total UK sales to Iran and Nigeria were £100m down on last year during the first five months of 1979.

The associatiou said Nigeria had been Britain's biggest pharmaceutical export market for some years. In 1978, pharmaceutical sales to Nigeria were worth £51.7m. However, in an effort to cut down her import bill, Nigeria bas now begun inspecting all sbipments of drugs before allowing them to be landed. This bad caused "severe" delays.

At the same time, Iran, which was the UK's sixth largest pharmaceutical export market with sales worth £29m last year, had started reducing imports of British drugs, apparently for political reasons. The revolution in Iran had also caused physical problems for British exporters because it was proving harder to get orders delivered there.

Shipbuilding 'heading for renewed depression'

BY LYNTON McLAIN

THE WORLD'S shipbuilding industries are likely to suffer further depression, Mr. Michael Revell, vice-president of the Marine Midland Bank, says in Lloyd's Shipping Economist, published this morning.

Mr. Revell says that "over-aggressive" policies for financing new ships might be regretted by shipyards aod finance bodies. Many of the rules governing the financing of new shipbuilding are being flouted, leading to further exacerbation of the shipping surplus.

Financial and tax incentives openly available for resident shipowners are extravagant, he says. Foreign owners can get "subtly" disguised finance packages which compare equally with domestic schemes."

● The journal reports that the oil crisis has led to a 41 per cent increase in sailings from the world's coal loading areas in the first quarter of this year.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● OFFICE EQUIPMENT

All-round printer

IMTEC has produced an A1 enlarger/printer which can be adapted from a high-speed semi-automatic paper feed machine for low-volume use to a fully automatic production printer, to cater for the whole range of market requirements.

This machine complements the Imtec AO, which has been in production for three years.

The secret of the new machine's versatility is its modular design: the customer buys only the modules he needs to suit the particular requirements of his business or budget. He can start with the basic, low-cost printing module and then, as demand changes or his requirements become more complex, add on any or all of the extra units.

Basic printing module takes any size of paper from A4 to A1, including non-standard sizes. Prints are produced electrostatically from positive or negative microfilm. The toner is automatically monitored and adjusted to ensure consistent quality. Magnification is variable within the scale 7.4x to 30x.

Simple to use and to maintain, it has proven optical units and paper feed method. The semi-automatic feed measures the size of the paper offered and automatically places it in the correct printing position.

Additionally, users can have from one to five Imtec suction feeds, each capable of accommodating a full range of interchangeable metric or Imperial size paper trays (without losing the semi-automatic paper feeding facility), and an automatic card changer which can feed through up to 100 aperture cards for printing consecutively.

None of the extra attachments increases the size of the machine or the floor-space required, as even the paper trays fit into the existing framework. Imtec has made provision for several other modular features, details of which will be released at a later date.

With the addition of the units thus described, the Imtec AI becomes a sophisticated production printer, which is still easy to use and maintain.

Imtec operates from 170 Honeypot Lane, Stanmore, Middlesex; 01-204 8355.

Desk-top copy machine

COPIES CAN be produced at the rate of 12 a minute using a new desk-top copying machine from Rank Xerox, the model 2600.

This particular machine is aimed at small businesses or for decentralised use in large organisations. A likely rate of use would be about 3,000 copies a month.

There are only two controls—a copy counter (up to 39 may be selected) and a button marked "print."

The platen has been designed to allow easy copying of bound documents and photographs, paste-ups, pencilled notes and even three-dimensional objects can be accommodated. The unit will make the copies on coloured paper, letterheads, pre-printed forms, pre-punched paper and also on to transparencies for use in overhead projectors.

Price of the 2600 is £2,399 or it can be leased for £52/month.

More from Rank Xerox (UK), Oxford Road, Uxbridge UB8 1HS, Middx. (Uxbridge 51133).

● ELECTRONICS

Exchanges of bubbles

BURROUGHS and Rockwell International have signed an agreement to exchange technical information and assistance in the area of bubble memory devices, one of the technologies that promises to make data processing less expensive and to accelerate the spread of electronic products to the home as well as throughout industry and commerce.

It calls for an immediate and on-going transfer of information covering certain bubble memory products of both companies.

Rockwell conducts research in bubble memories and other electronic devices at facilities in Anaheim, California, and produces them at its micro-electronics plant in Newport Beach. Bulk production of a 256,000-bit bubble device is at present moving to end-product manufacturers.

Burrough's development of bubble devices is conducted primarily at its Microcomponents Centre in Rancho Bernardo, California, where the company engineers and produces advanced logic and memory circuits for use in its computer and office automation systems.

● COMPUTERS

Markets of the Arab world

LACK OF accurate information concerning one of the fastest growing computer markets in the world has prompted SRI International to offer for multiple sponsorship a research program entitled "Outlook for Computing in the Arab Countries, 1980 to 1990."

SRI hopes to provide reliable, worthwhile information on the present situation of computing and to forecast the supply of and demand for the major products and services of computing in these countries.

To be completed in 12 months at a budget of $550,000, the project should start this autumn. It aims at government, industrial, and commercial sectors within 18 different Arab states.

Information will cover present computer applications and installations; data communication systems, software and staffing, projection of growth to 1990 of requirements for computer systems and computer-related equipment; projection of software, data processing, training and manpower resource requirements for both users and suppliers of computing; evaluation of feasibility of local manufacturing, licensing, software development and common purchasing policies; compilation and assessment of the legislation and plans of the various Arab governments covering the imports/local production.

Cost of subscription to this programme will be $20,000 before initiation, increasing to $25,000 after research has begun. Clients will receive progress report bulletins, two copies of the final report and will be entitled to attend a two-day conference towards the end of the project.

SRI International, NLA Tower, Croydon, CR0 0XT. 01-686 5555.

Commission facing a poser

FIRST COMPLAINT to the European Commission alleging that specific measures and practices of IBM infringe the anti-trust clauses of the Treaty of Rome, filed by Memorex, centres in the practice of IBM to release information about the connectability and/or not (interface) of its new products to those of other manufacturers at the time it first ships such new equipment to market.

This is at first customer delivery, rather than at the time of product announcement.

The complaint thus treats the IBM product as a standard, which it obviously is to the IBM plug-compatible manufacturing industry. Memorex says, in a synopsis of its complaint on an official EEC form that: "IBM manipulates the interfaces between components of computer systems and conceals the technical specifications for those interfaces for the purpose and with the effect of preventing competitors from attaching their components to IBM systems."

This form also asks the complainant to what extent trade between EEC member states may be affected, to which Memorex replies that peripheral equipment and main memory are frequently rented and sold across the boundaries of member states.

If there is any specific European evidence that IBM has contravened the rules, it is not referred to in the complaint, which relies on documents which were used in the Memorex case against IBM in the U.S. This case which went against Memorex, is now under appeal.

What Memorex is seeking is a declaration that the practice of release of interface data at the time of product shipment is illegal.

Clearly such a statement, coming from the European Commission would have immense consequences.

Memorex has proposed that IBM be required to issue licenses to those who have patent exchange agreements with it.

Memorex is also trying to close what has been called the microcode loophole: the possibility that IBM might introduce proprietary know-how on both sides of the interface. This, if done, would close down the plug-compatible market.

The complaint has eventually to be answered by the EEC's Directorate General for Competition, DG IV, in public or private. But if Memorex does not like the reply, it can, unlike the situation prevailing in the U.S., go directly to the European Court of Justice, the equivalent of the U.S. Supreme Court, without any intervening courts.

Pitfalls of vying with the mighty

THREE OF the companies in the forefront of the drive to hit IBM's dominant market position—Amdahl, Itel and Magnusson—are faring very differently in the wake of the IBM 4300 launch, which set new price-performance standards for the whole industry—or at least that part of it which has swung into line with IBM design.

Amdahl is experiencing a leasing to sales ratio far higher than management expected. Net income for the second quarter is expected to be "break even" and, for the whole year 1979, to be "materially below" that recorded in 1978 should the present trend continue, the company says.

At the same time, deliveries for the quarter will equal or exceed any previous high while deferred income and profits will benefit company performance at a later stage.

It seems, therefore, that the unprecedented growth for this leading predator in the IBM user fold is a thing of the past and that a period of, say, two years' consolidation can be expected.

No one has, however, indicated that Amdahl cannot face and match any innovations IBM may have up its sleeve, with the H-series of big machines with vast memories predicted for 1980.

For Itel, which has been a hot contender at all levels, but generally for machines smaller than those put in by Amdahl, the situation is very different. This is due largely to the historical fact that the company is heavily involved in the computer leasing industry. This has been sharply hit by the latest IBM announcement which has cut the residual values of previous generation IBM computers, particularly the 370/158 and 148 models.

Residual value insurance at Lloyd's, under the latter's well-known "J" policy, is expected to lead to heavy payments to the leasing companies, including one of over $100m to Itel.

Meanwhile, the company's first-quarter results on computer sales and leasing show a loss of $4.4m against a profit of $6.3m a year ago. Overall in the first quarter the company was still profitable but still far less than 12 months previously.

In the second half of this year, Itel will be renegotiating the prices it pays Hitachi and National Semiconductor for the processors it sells into IBM sites. They will be, undoubtedly, very much lower than those which have prevailed hitherto.

For newly fledged Magnusson ATC, which should have been hardest hit since it is competing directly with 4300 series machines, the picture is unexpectedly rosy.

The company was doubly over-subscribed recently after a bid for a further round of venture capital amounting to $5m.

This money will be used to increase production of the M-80 which competes across all the 4300 models, with (Magnusson says) performance to spare in every instance. Modular design means cheaper expansion than by installing new systems and all models of the M-80 can be field-expanded with plug-in cards up to the most powerful. This covers the important ability to run 8 megabytes of main storage, compared — for instance — with 1 megabyte in the 4331.

● COMMUNICATION

Shift for Scicon

APART FROM working on two pieces of hardware that it has developed itself—a communications front-end processor for its own Univac mainframes and a unit for the conversion of telex to ASCII code—Scicon Computer Services believes that it has further consolidated its position in the communications hardware market in the UK by successfully exploiting its recent liaison with Micom in the U.S. and selling 100 of the latter's statistical multiplexers in about six months.

These sales have been achieved mainly through the three agents appointed by Scicon (Borer Electronics, Master Systems and Peripheral Hardware) and they account for about one-third of all the multiplexers installed in the UK in the past ten years, according to the company.

Thus, Scicon Computer Services sees itself moving away from purely bureau work into the area of "black box" sales in communications. According to Micom executive Roger Evans, this market is rapidly unbundling in the U.S. (that is, units are being sold with no associated support unless it is paid for) and the UK will soon follow.

Certainly, Scicon seems to have hitched its star to a fast-moving waggon. Evans, an Englishman who was a founder member of CASE and sold up to go to California, believes that growth in communications will increasingly come from sales of this sort by smaller companies and will have very little to do with the communications majors. Mini and micro-based communications systems will prevail, he says, and most of the links will be over relatively short distances.

Already Micom is turning out 500 units a month in the U.S. and the company revenues have increased tenfold in three years with 25 per cent pre-tax profit.

Scicon is convinced that a similar picture will soon be painted in the UK.

● COMPONENTS

Ensuring an exact gas mix

AVAILABLE from Megatech of 2A Waterloo Road, Havant, Hants (0705 472868) is the Vacuum General Model 78-7 flow ratio and pressure control system aimed at the precise control of gas composition and system pressure.

It is suitable for most vacuum process gases such as those used in reactive sputtering and ion beam etching, and also for the more corrosive gases used in plasma etching.

The unit is compatible with most pressure transducers. The required pressure is simply dialled in on the front panel and the percentage of the dopant gas is selected. Each flow is then monitored by a thermal flowmeter and controlled by a piezo-electric valve. A pair of digital displays show the flow of each gas in standard ml/min.

● MATERIALS

Glass foam beads will do wonders

INERT and impervious to water, is a product for the building and plastics industries which consists of granules made of a type of glass foam, the cells of which are closed; it is thus light in weight and fire-resistant.

Glaverbel, major Belgian glass manufacturer, has called this new product Expanver and suggests that it be used in bulk or as a filler in cement, plaster and asphalt, as well as with *synthetic* resins and *foams to* confer heat and sound insulation, together with lightness and reduced volume costs.

Intended to speed prefabricated construction is a building product based on glass-*strengthened* concrete. *The* panels come in two forms: one is for the construction of bays and the other for the provision of partitioning.

Glaverbell SA, 166 Chaussée de la Hulpe, B-1170, Brussels, Belgium.

Less risk of blowout

BUTYL LATEX based solution injected into motor car tyres can offer a substantial measure of puncture protection and also contribute to fuel saving by helping to maintain correct tyre pressures for long periods, says Stop-a-flat, 61, Grosvenor Street, London, W1 (01-493 3371).

The sealant is a descendant of the butyl latex lining which was used in self-sealing aircraft fuel tanks during the last war. It now contains a range of additives which includes an anti-freeze and corrosion inhibitor, and fibres suspended in the solution. It has been in use in the U.S. where, says the UK agent, the system has been applied to over 5m tyres.

The maker stresses that the solution should be injected into the tyre stem by an appointed agent (it is not a DIY product) and it spreads by centrifugal force to form a protective coating throughout the tyre interior. It will not seal large openings caused by a blow-out or a severe kerb impact but promises to repair smaller wounds up to a ¼-inch diameter (*such as a typical nail* puncture) so rapidly that little loss of air pressure occurs.

● HEATING

Control of atmosphere

SAID TO provide "whole bench" protection for up to three workers, cleaning and recirculating the air in the work place, is a unit called Conditionair 1700, announced by Colt International, New Lane, Havant, Hants (0705 451111).

Up to three points may be connected by flexible ducting to the air purifier and toxic fumes and dusts are drawn away from workers at these points. Unit and ducting are easily moved and can be used anywhere in a factory.

It will handle 17,000 cubic metres of air an hour and washable and disposable filters are *incorporated in* the unit capturing particles down to 0.6 micron in size.

COMPANY NOTICES

TANKS CONSOLIDATED INVESTMENTS LIMITED

NOTICE IS HEREBY GIVEN that the seventy-seventh Annual General Meeting of Tanks Consolidated Investments Limited will be held at the Head Office of the Company, Bahamas International Trust Building, Bank Lane, Nassau, Bahamas, on Monday, 23rd July, 1979, at 11.30 a.m. for the following purposes: [illegible]

BAHAMAS INTERNATIONAL TRUST COMPANY LIMITED, Secretaries.

[illegible]

ITO-YOKADO CO., LTD. (CDRs)

[illegible]

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, June 15, 1970.

ITO-YOKADO CO., LTD. (CDRs)

[illegible]

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, June 15th, 1970.

TRANSPARENT PAPER LIMITED

ORDINARY SHARES

[illegible]

CONFERENCES

BOURNEMOUTH MOAT HOUSE

[illegible]

TRAVEL

[illegible]

PUBLIC NOTICES

PIPE-LINES ACT 1962

NOTICE OF AN APPLICATION FOR PIPELINE RE-ROUTE CONSTRUCTION AUTHORISATION

Shell U.K. Limited HEREBY GIVES NOTICE [illegible]

Dated: 22nd June 1979.

C. H. GRINSTEAD (Secretary)

Shell U.K. Limited, Shell-Mex House, Strand, London, WC2R 0DX.

PIPE-LINES ACT 1962

NOTICE OF AN APPLICATION FOR PIPELINE RE-ROUTE CONSTRUCTION AUTHORISATION

Shell U.K. Limited HEREBY GIVES NOTICE [illegible]

Dated: 22nd June 1979.

C. H. GRINSTEAD (Secretary)

Shell U.K. Limited, Shell-Mex House, Strand, London, WC2R 0DX.

BOND DRAWING

NOTICE OF REDEMPTION TO THE HOLDERS OF LJUBLJANSKA BANKA 9½% GUARANTEED NOTES 1983

[illegible]

LJUBLJANSKA BANKA

ART GALLERIES

[illegible]

ıilding and Civil Engineering

ʌrk starts on Dubai airport expansion

.. contracts making up .n worth of construc-.. in Dubai, United ..nirates, have been .o Al Nahoodah Laing. ..has started on the ..st phase of a three-..gramme for the ex-.. Dubai International Airport for the Government of Dubai. The airport handles more than 5m passengers a year now and expansion has become necessary because of the increasing volume of traffic.

This ten-month contract includes a two storey secure lounge extension of the existing terminal building to provide four extra lounges, a ground support equipment building, a reinforced cooling tower containing four separate chambers, together with mechanical services.

There will also be a 32,000 square metre extension of the airport parking apron to accommodate additional wide-bodied aircraft, additional taxiway works of 30,000 square metres, vehicle hardstanding area of 3,000 square metres, temporary access roads and other external works.

Construction of a high quality prestige private building in Dubai is the subject of a £2.2m contract.

..bitts active in south-west

.. SAYS it will earn .. from seven contracts ..warded for a variety ..uction work in the .. District Council ..ers at Liskeard, Corn-.. to be extended and a ..il chamber construc-.. a £924,000 contract due for completion mid-1981.

Two housing contracts for the Torbay Housing Society, worth a total of £654,000, include 64 flats at Shiphay, and a further 40 at Rainbow. Two contracts in Plymouth each valued at about £200,000, are for work for the Property Services Agency in East Plymouth and for a new centre for Calor Gas.

Under another Property Services Agency contract (£98,000) Cubitts will renovate housing for the U.S. Air Force at RAF Fairford, Gloucestershire and at Hanham, Bristol, the company is to build a combined library and youth centre for Avon County Council (£309,000).

..ad building project in Oman

..ilding on the $313m .. link north and south .. be started at the end ..mmer this year. .. have two fully-mobile ..s for 1,300 workers, .. be moved for every ..metres of road com-..d one main workshop ..e-parts camp, which will be resited twice as the work progresses.

Sweden's international Dynapac Maskin organisation, specialists in vibratory compaction techniques, is supplying 15 rollers to undertake all the asphalt and soil compaction work.

The 7.5-metres-wide paved road will have two 2.5-metre paved shoulders.

General contractor for the project is CCC Consolidated Contractors International Company. The project is split into four sections and the final 200-km southern stretch of the road is sub-contracted to J and P. Cyprus.

..ny jobs for Miller Buckley

.. Buckley Construction ..sed awards of con-.. the value of £12m, .. which is for a super-.. car park for Tesco at

Also located in the Midlands is a factory for Seamaster (Corby Development Corporation) at Corby with a value of £767,143.

A number of smaller contracts in the north will be supervised from Miller Buckley's Middlesbrough office and include a new dyehouse and ancillary works with a total value of £222,000 for Sirdar at Wakefield.

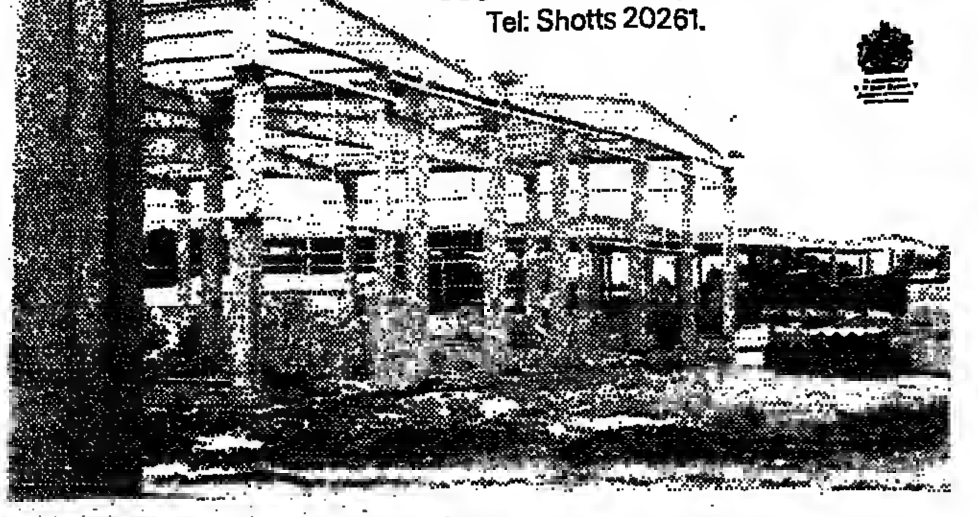
London area contracts include warehouses and offices for First Wyvern Property Trustees Company at Wembley, value £818,340, a telephone extension at Chiswick for the Property Services Agency, value £319,019 and a warehouse and offices at Hammersmith for Barclay Trust, value £1,430,000.

Further south, the company will be building a multi-storey car park for Eastleigh Borough Council, value £873,460, and a helicopter hangar workshop for the PSA at Gosport, value £1,220,334.

Hospitals in Saudi Arabia

CONCENTRATION ON health care services in Saudi Arabia has probably made it the largest single market for hospital development anywhere in the world today, says Cunnington and Associates, Chesham House, 150, Regent Street, London W1 (01 734 5351), which has now produced a detailed study for suppliers of building materials, hospital furniture, equipment and instruments, etc.

There are about 50 new hospital projects in hand in Saudi Arabia at the moment and 20 of these are expected to go out to tender in the next 12 months.



£6m housing for Tarmac

LOCAL AUTHORITY modernisation and environmental work, worth more than £6m, has just been won by Tarmac's West Midland Contract Housing organisation.

One of the major projects, valued at £2.1m, is for Wolverhampton Borough Council, and comprises facelifts for 266 houses in the Green Lanes area of Bilston.

At Dudley, more than 400 homes are to be updated in the Priory West and Wrens Nest areas. In the Small Heath and Digby Park areas of Birmingham, a further two big environmental contracts will be shortly underway.

South Staffs Council has awarded modernisation work involving nearly 100 homes at Olde Hall Road, Featherstone.

£3m floor slabs order for Jeddah

SUPPLY OF pre-stressed hollow core floor slabs, valued at £3m, is the subject of a contract awarded to Hollow Core Systems (Mid-East) for the King Abdul-Aziz University student housing complex in Jeddah.

Contract was awarded by Redec Daelim of Seoul, Korea, to Saif Noman Said and Partners of Jeddah and was the largest contract won so far by the company which is technically managed by Hollow Core Systems (Mid-East).

Preparing for working platforms

CONTRACT work valued at £1.5m has been awarded to John Howard and Co., who recently started on a job at the Kishorn yard, Scotland, operated by Howard Doris who has recently received an order for a new steel platform for the North Sea.

Work consists of extending the existing yard and facilities for the construction of steel and concrete platforms and other structures for the offshore oil and gas industry.

Enamelled panels

NEW DEVELOPMENT in enamelled steel panels for building has been spearheaded by the West German company Emaillierwerk Hannover KC, claims Holt Intermarket Associates, 12 Mount Ephraim Road, Tunbridge Wells (0892 22491) who will supply a coloured leaflet (in English) which shows examples of enamelled panels in the range.

The panels may be made to almost any size or shape—flat, curved, louvred, etc.—and are said to be virtually indestructible. They also require no maintenance or redecoration and are suitable for inside and external applications.

New car park at Gatwick

ABOUT 11 hectares of ground-level, long-term car parking facilities at Gatwick Airport are to be provided by Cementation Construction under a £1½m contract.

Expected to take 43 weeks to complete the work includes earthworks, drainage, concrete access roads and asphalt parking areas providing about 4,000 spaces.

Cementation Construction is a member of the Civil, Structural and International Division of the Trafalgar House Group.

IN BRIEF

- Contract valued at over £½m has been awarded to Mears for the construction of 42 houses for Cardiff City Council.
- British Standards Institution has announced that 93 companies are now registered for cavity wall insulation under its system for the registration of firms of assessed capability.
- New facility for Schlegel (UK) Engineering on the Henlow Camp Warehouse and Trading Estate, near Hitchin, will be designed and built by Hunting Gate.

Gleeson wins £4½m contracts

OVER £4½M worth of contracts have recently been awarded to the Gleeson Group.

Trafford Borough Council has placed a £1.7m contract for the construction of 132 dwellings and roads and sewers, and a further borough council contract, from Oldham, is worth £1.1m for development of 93 dwellings at Lynton Avenue, Oldham.

Embankment and ancillary works, part of the River Medway Flood Relief Scheme, are £1m from Southern Water Authority at Tonbridge. Work at the Eagle Brickworks reclamation scheme at Cwmafan, near Port Talbot, brings in another £346,850.

Newcastle and Gateshead Water Company has awarded a £59,927 contract for construction of a concrete reservoir at Parkgates (Allendale) in the County of Northumberland.

Company will construct 20 dwellings at Sackville Road, Cheam for the London Borough of Sutton under a contract worth £292,716.

Trunk road job for A. Monk

THE £4.7m tender from A. Monk and Co., for the construction of a link highway between Bodelwyddan and the existing Abergele by-pass has been accepted by Clwyd County Council.

This is to be a dual carriageway, 4.1 km long: an additional 2.75 km of single carriageway side roads, an interchange, and four bridges are part of the project.

Each carriageway will be 9.3 metres wide with 2.5 metre verges and side and slip roads of narrower dimensions.

This two year contract will be under the supervision of the county surveyor and bridgemaster, Mr. Alistair Donaldson, B.Sc., C.Eng., Fice.

£2m awards to Tilbury

OF THREE contracts recently awarded to Tilbury Construction with a total value of over £2m, the largest is placed by the Thames Water Authority, Lambourn Division, in respect of the provision of a contact tank and pumping station at Fobney Water Treatment Works in Reading, at a cost of £1.3m.

Southern Water Authority has instructed the company to extend and modify the existing sewage treatment works at Tunbridge Wells under a contract worth £½m.

Third job is a warehouse and office block plus new access road and services, valued at about £204,000, to be constructed at the Oakley Green Sawmills site in Windsor for the Westminster and Counties Properties Group.

Middle East guide

BECAUSE OF its content, it has taken some years to collect and collate the information now published in "Technical Memorandum No. 4—Design Notes for the Middle East" prepared for the Chartered Institution of Building Services by a task group under the chairmanship of Mr. J. P. G. Goldfinger.

These notes seek to provide designers of engineering services with all the basic information required to engineer building services to satisfactory standards in the Middle East and direct readers to the appropriate section of the CIBS Guide and other equivalent guides and sources of information.

Various sections deal with building design, construction and materials; current meterological data; thermal comfort and visual requirements.

Areas of building services covered within Part 5 include water and sanitation, fire systems, escalators and control systems, etc. Maps show political sub-divisions of the area, location of meteorological recording sites and earthquake zones.

It is available from CIBS Publications Dept., 49 Cadogan Square, London SW1 (01-235 7671) price £10 but CIBS members can obtain one copy at the special members' price of £7.

Access to high places

EACH ABLE to be erected by one man, three scaffolding towers in a range announced by Palmers Scaffolding, Woodside House, Woodside Green, London, SE25 (01-654 7721) are designated Slim Jim, Commando and Zifa.

To be used mainly on heavy construction and site work is the Commando tower which is an easy to erect single-frame design. Two sizes are available and, says the company, they are particularly resilient to the inclement conditions and physical use associated with site work.

The Slim Jim is a lightweight aluminium alloy model with a narrow section only 750mm wide to enable it to be used in confined spaces. Its high clearance base allows access above obstructions and enables it to span shop counters, machinery, etc.

Made of alloy, the Zifa tower promises a safe working height of 14 metres and incorporates internal ladders to provide access to any level.

New court building in Chelmsford

COSTAIN Construction has won a contract worth over £3½m to build a new county court complex in Chelmsford.

This three-storey building will be of steel frame construction on reinforced concrete pad foundations with external walls of brick-faced concrete panels and hand-made bricks utilising traditional and modern design.

Six courts at first floor level will be built around a central concourse off which will run consulting rooms, witness waiting room, barristers' lounge, conference room, hail surrender lobby, dining areas, etc.

Work, which has begun and is due for completion by late 1981, is being carried out under the direction of Mr. R. P. Duncan, regional architect.

Industrial jobs for Bovis

REFURBISHING and modernising the former Hacker Radio factory in Maidenhead, Berkshire, for GenRad of Bourne End, Bucks., is one of two contracts just awarded to Bovis Construction. Work here is worth £400,000 to the company and involves both the existing factory area and two office blocks.

Contract work for about £300,000 is for Coca Cola Southern Bottlers to extend bottling hall and warehouse facilities on the Eley's Estate, Nobel Road, Edmonton, North London. Installation of sprinklers, lighting, heating and flooring and the construction of fire-break walls is included.

Jarvis gets work worth over £2m

LARGEST OF five contracts worth £2.6m awarded to Jarvis is for the construction of a plant for James Burrough on the Eastway Industrial Estate, Witham, Essex, for its Fine Alcohol Division. This initial phase will cover an area of 50 metres by 105 metres. The architect is John Phillips.

Two contracts have also been received from the Property Services Agency on behalf of the Post Office. One is in respect of a telephone service vehicle centre at Staples Corner, Cricklewood, London NW2, and the other offers work at the Sutton, Surrey, telephone exchange.

In Manchester Jarvis is building extra offices for the Royal Exchange Theatre which it completed in 1976 and it is also building a 32,000 square feet factory to enlarge the switchgear and electrical components complex in Sharston Road for George H. Schnles and Co.

Refurbishing in Mayfair

PROJECTED TO cost £2.6m to complete, refurbishment and fitting out of Esso Europe's headquarters in Stratton Street, Mayfair, is by Trollope and Colls, which has now won work in this area totalling over £9m.

When completed, the Stratton Street premises will be linked to the Berkeley Street building of Thomas Cook's old head office there (which is also being refurbished, largely for occupancy by Esso Europe, at a cost of £6.5m) and will give Esso Europe a large self-contained headquarters with some 20,000 square metres of office space.

Latest work includes stripping out and replacing partitions and ceilings, complete redecoration and provision of casing for existing heating. The plant rooms are to be upgraded, which includes boiler rooms, lift motor rooms, and other general service rooms.

Work is underway and is due for completion in twelve months.

WADHAM STRINGER

ROLLS-ROYCE

Official Distributors for Rolls-Royce and Bentley.

H. A. FOX
34 Dover Street, London. Tel. 01-499 8962

1978 June Rolls-Royce Silver Shadow II Saloon. Chestnut, Magnolia leather. Speedometer reading 1,350 miles.
1978 June Rolls-Royce Silver Shadow II Saloon. Caribbean Blue, Magnolia leather. Speedometer reading 6,250 miles.
1977 May Rolls-Royce Silver Shadow II Saloon. Brewster Green, Tan leather. Speedometer reading 5,500 miles.
1977 May Rolls-Royce Silver Shadow II Saloon. Scots Pine, Fawn Parkertex upholstery. Speedometer reading 9,700 miles.
1977 Jan. Rolls-Royce Silver Shadow Saloon. Walnut roof, Silver Sand, Dark Brown Parkertex upholstery. Speedometer reading 26,000 miles. £28,500
1976 Jan. Rolls-Royce Corniche Convertible Coupe. Nutmeg, Magnolia leather, Camargue air conditioning. Speedometer reading 23,000 miles. £42,000
1976 Aug. Rolls-Royce Silver Shadow Saloon. Regency Bronze, Dark Brown leather. Speedometer reading 24,000 miles. £26,500
1976 Aug. Rolls-Royce Silver Shadow Saloon. Seychelles Blue, Beige leather. Speedometer reading 36,500 miles. £26,000
1976 Feb. Rolls-Royce Silver Shadow Saloon. Pewter Green leather. Speedometer reading 39,500 miles. £25,000
1976 Jan. Rolls-Royce Silver Shadow Saloon. Walnut, Beige leather. Speedometer reading 41,000 miles. £23,000
1975 Feb. Rolls-Royce Silver Shadow LWB Saloon, without division. Brewster Green, Willow Gold roof, Beige leather. Speedometer reading 46,000 miles. £23,500
1973 May Rolls-Royce Silver Shadow Saloon. Black over Walnut, Black leather, electric sliding sunroof. Speedometer reading 38,600 miles. £18,950
1973 May Rolls-Royce Silver Shadow Saloon. Alpine Grey, Beige leather. Speedometer reading 66,000 miles. £17,250
1973 Feb. Rolls-Royce Corniche Convertible. Silver Chalice, Red leather. Speedometer reading 46,750 miles. £29,750
1972 June Rolls-Royce Silver Shadow Saloon. Coffee Bean Brown, Magnolia leather. Speedometer reading 35,000 miles. £18,950
1971 Bentley HJM/PW 2000 Saloon. Larch Green, Black Everflex roof, Black leather. Speedometer reading 43,400 miles. £19,500

GUILDFORD
Woodbridge Road, Guildford, Surrey. Tel. 69231. Tlx. 859255

1979 Jan. Rolls-Royce Silver Shadow II finished in Chestnut with Beige hide interior. 500 miles.
1978 Dec. Rolls-Royce Silver Shadow II finished in Chestnut with Beige hide interior. 900 miles.
1978 May Rolls-Royce Silver Shadow II finished in Peacock Blue with Magnolia hide interior and Magnolia Everflex roof. 4,000 miles.
1978 March Rolls-Royce Silver Shadow II finished in Cardinal Red with Beige hide interior. 17,000 miles.
1978 Feb. Rolls-Royce Silver Shadow II finished in Chestnut with Magnolia hide interior and Magnolia Everflex roof. 14,000 miles.
1978 Jan. Rolls-Royce Silver Shadow II finished in Cardinal Red with Beige hide interior. 1,000 miles.
1978 Jan. Rolls-Royce Silver Shadow II finished in Gunmetal Grey with Grey hide interior. 10,000 miles.
1977 Aug. Rolls-Royce Silver Shadow II finished in Moorland Green with Green Dralon interior and Green Everflex roof. 16,000 miles.
1969 Bentley 'T' finished in Smoke Green with Beige hide interior. One owner. Supplied by us. 54,000 miles. Available shortly.

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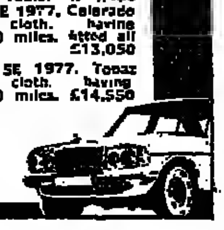

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1978 323i. Black/cloth, metal e roof, t'glass, front & rear spoilers, alloy wheels, radio/stereo etc. 12,000 miles. £7,750.
1978 (T) 323i Met. Ruby/black int., metal s roof, t glass, Philips 860. 11,000 miles. £7,805.
1977/78/79 320/320i/320i0. The largest selection of low mileage 3 Series in the U.K. Everything from a low mileage R reg'd 320 Auto through to Delivery mileage 320's. Please 'phone for full details.

MERCEDES-BENZ

1979 450 SLC. Choice of Magnetite Blue, Fire Engine Red, Silver, Met. Green. Very high specs, including air conditioning, elec. s-roof, alloys, cruise control, L.S. diff. etc. All delivery mileage from £25,450.
1979 450 SLC. Magnetite blue/blue velour, elec. s/roof, alloy wheels, cruise control. Del. mileage.
1978 450 SLC. Silver green/moss velour, air cond., elec. s'roof, alloy wheels, LS diff., self levelling susp., cruise control, radio/stereo, etc. 11,000 miles.

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cholas Leslie reports on the winners of a "Build Your Own Business" competition

The birth of new enterprise

RT LOEBL is not a mince words. Even in pany of a "friendly" n—the Conservative with responsibility ll firms who has just d the Government's ment to the small sector—he cannot he temptation, like wist, to ask for more.

ccasion of this brief r was last week's tion of cash prizes £17,500 to finalists of uild Your Own Busi- mpetition, sponsored UK. The competition anised and run by se North—a volun- ness advisory service several years ago by ebl, a successful businessman—and am University Busi- ool.

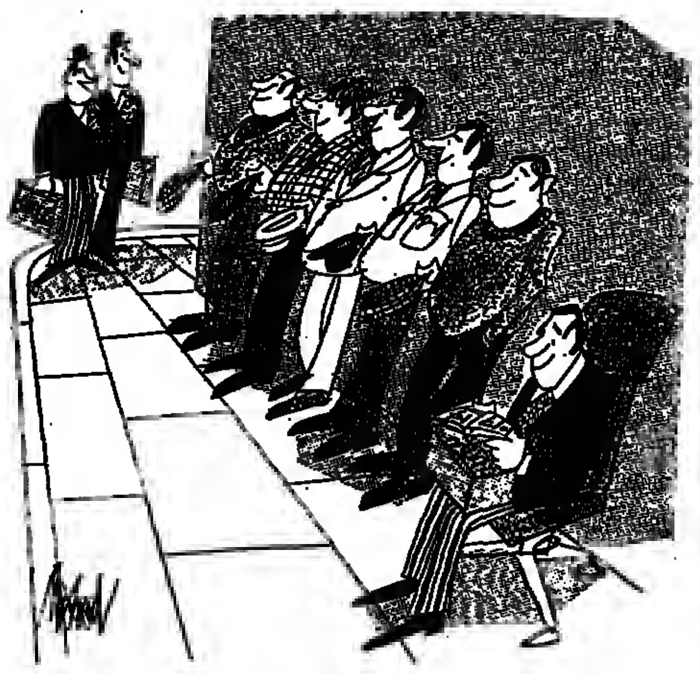
Minister, Mr. David Parliamentary Secretary at the ent of Industry, had ed the Budget tax ne step in encourag- mall business sector. l stressed that this olve the problems of start-ups, particularly in the North-East, which needed more small firms to create new employment but bad a less than average number of well-off people who would benefit and be tempted to start up or back new ventures.

Making a plea for people to be encouraged more to walk on their own rather than being "molly coddled," Mr. Loeb also emphasised his commitment to private enterprise by a reference to the sponsors and organisers of the competition. It had been helped, he said, by the support of a private company, Shell, a voluntary advisory organisation of businessmen, and the Small Business Centre within DUBS, which is largely financed by private enterprise.

A particularly interesting insight into the judges' feelings on the strengths and weaknesses of the finalists was given at the presentation by their chairman, Professor W. G. McClelland. Among the plus points be cited, managerial ability, depth of knowledge of proposed markets and quality of presentation of a business plan emerged as major pluses. Minuses included difficulties in exploiting a perceived market and poor financial acumen.

Another significant feature of the competitors' submissions was that their financial calculations invariably underestimated the amount of working capital that would be required, according to Mr. John Eversley, the competition director at DUBS. And the conditions attached to such money by financing organisations seemed "onerous."

Though the competition proper has now ended, a follow-through programme is planned. Enterprise North and DUBS will continue to maintain contact with competitors, steering them in the right directions for advice, including the small firms information centres of the DoI and the Council for Small Industries in Rural Areas (Cosira). A briefing seminar for 100 of the competition's contestants is to be held as part of the programme.



"Low overheads, labour intensive, low capital requirement. . . . it's hard to fault that small business!"

ie when the state of stocks is increasingly l bit of entrepreneur- coal mining business s possibilities. Keith ertainly reckons that rovide him with the branch out on his the judges in the our Own Business" n agreed — to the t they awarded him prize of £7,500 cash n to mine a 15-acre Stanley, County

, aged 42, knows his e is a chartered min- er and a Fellow of te of Mining. For 16 worked for the al Board and for the has been with the luation Department d Revenue.

s the first to admit the competition, be light in bis under- finance. The need a business plan for "introduced me to as cash flow, profit ccounts and balance says.

W. G. McClelland, ofessor at Durham an of the judging rked at the presentation that there had been a weakness on the financial side of Lumsdon's presentation, but that it had been felt this could be quickly remedied. What had impressed the judges had been his knowledge of his business, the certainty of his markets and the determination be had shown, exemplified by his having worked part-time in several small private mines.

Lumsdon's plan is to lease from the NCB a disused 15-acre site, from which, be reckons, 50,000 tons could be profitably extracted over a 20-year period by an organisation as small as his. He is hopeful the NCB will grant him a lease—and that the local authority will give planning permission. Within a very short time of starting up, Lumsdon thinks be would be employing 11 people.

The coal at his proposed site is of high quality and is suitable for household, coking and power station fuels. Lumsdon sees no problems in finding buyers and has based his costings on a conservative selling price.

Typically of a new venture, Lumsdon wants to keep control of the whole project to himself, which may prove to be a problem given that he needs a minimum £25,000 to get his mine off the ground. This would provide the necessary working capital and funds for those items of equipment be needs to buy. For the most part, though, his equipment would be leased; for example, compressors, Caterpillar and drag line.

The lure of independence—which, he says, has loomed increasingly large over the past five years—does not worry him in any respect other than financing. He clearly does not relish the idea of large amounts of debt—"interest rates and repayments are very high." His somewhat vain hope therefore is to get hold of a large slice of unsecured money which he could repay over two or three years.

More realistically, any financier prepared to put up the level of finance Lumsdon needs would probably want a share in the equity of his company and a small share of profits. To date, Lumsdon has talked to Newtown Securities, part of the Midland Bank group, and is due to have discussions with Industrial and Commercial Finance Corporation and Barclays Bank. Another possibility he has yet to investigate is the European Coal and Steel Community, which funds projects in coal and steel areas.

John Fisher did not even wait for the result of the competition before setting up his company, called West Meters. In fact, there was a point when he gave brief consideration to withdrawing from the contest. This was because the pressures of competing — preparing a written presentation, and being subjected to an assessment at different stages of the event—took up much of the time he needed to devote to forming his company, negotiating with sub-contractors and arranging marketing and distribution.

But as be came second, winning a £4,000 cash prize, be is naturally delighted that be stuck it out. Fisher bas developed, and patented, a thermometer that records maximum and minimum temperatures. Instead of a conventional mercury scale, his thermometers have a dial and pointers.

Fisher's biggest market in the two months since he started is the garden trade, for people wanting to record day and night temperatures in greenhouses. Other customers include laboratories.

Fisher, aged 36, got his idea, quite literally, in a flash of inspiration. Since he was working for a thermometer manufacturer it would seem, at first sight, a fairly natural line of thought. But Fisher is a computer engineer who had nothing directly to do with thermometer manufacture.

Professor McClelland said of him that he had realistic plans for more products and for recruitment of a workforce, and had shown himself to have commercial acumen and managerial ability.

Eventually, says Fisher, he would like to make all the parts of his thermometer, "but only if I could save money by doing so." Even now, be bas plans for further products.

Fisher bas for many years been keen to start his own company. He was reluctant to step up the promotion ladder in computer engineering because it would have required moving bis base regularly, and "anyway the pay is not very good."

Three third prizes of £2,000 were awarded instead of just one originally planned, simply because the judges felt the quality of the finalists to be so high.

British managers challenge conventional wisdom on motivation and pay policy

By Jason Crisp

IT IS generally accepted that the personal commitment to their company's business of today's managers has declined. This can be attributed to two factors: first, they have been increasingly excluded from decision making, and second their relatively poor level of pay.

Accepted it may be, but none the less erroneous apparently. Over half the members of a panel of 700 managers surveyed in February said that their personal commitment had been increased because of their involvement in decision making over the previous year; only 14 per cent said it bad decreased. And while 16 per cent said that their remuneration had resulted in a decrease of commitment, one in four said it bad actually increased it.

That other well-known demotivator, slow growth leading to fewer opportunities and therefore less promotion, would not appear to be as damaging as sometimes thought. Fifteen per cent of the panel did indeed say that their commitment bad declined because of the available prospects for promotion, but on the other hand over twice as many (33 per cent) said it bad increased because of promotion prospects.

Unionisation of managers

The panel, which has been in existence for several years, consists of 700 managers who have attended programmes at Ashridge Management College, and the study was carried out by the Applied Research Group at the College. It might be said however that managers who have gone through a management college of the stature of Ashridge would have a slight tendency to have a brighter and more positive outlook than the average UK manager.

One in three members of the panel believed that the unionisation of managers would "greatly" increase over the next five years, and three-quarters believed it would merely increase. Attitudes towards unionisation were split about equally three ways: in favour, indifferent, and opposed. Nearly one in four of the managers on the panel were already members of an independent trade union and 15 per cent belonged to in-house staff associations.

Interestingly, two-thirds of the managers believed the relative pay of managers to white collar and manual workers had decreased because fewer managers belonged to unions (36 per cent felt their pay was "substantially" lower).

The managers' attitude towards free collective bargaining may come as a surprise to the present Government. Two-thirds of them favoured some form of incomes policy in preference to a return to free collective bargaining.

At the time of the survey, 34 per cent felt that the then Labour Government should persist with its 5 per cent guidelines while 30 per cent argued for a return to free collective bargaining.

The Ashridge Research Group suggests that this support for pay policy might be explained in several ways.

"Many might have believed that having adopted a low, fixed percentage (rightly or wrongly), the Government bad no option but to stay with it until the end of the wage round. Any other decision would have been unfair to those who had already settled.

"Also, some people might have felt that despite the many publicised examples of wage settlements outside the guidelines, the policy was still having some impact on the size of negotiated wage deals. Some of those who settled for 5 per cent would have wanted to renegotiate.

"The emphasis on productivity resulting from the incomes policy might also have been seen as beneficial by managers, even though many of the claimed productivity increases were said to be spurious."

Another reason, not cited by the group, may be that managers like the relative certainty of being able to tell employees that they are only allowed—by Government decree—to pay so much.

On the subject of business environment, the managers were not particularly bullish. For instance, over half of them believed that their industry's profitability would be the same or less in one year's time. However on a longer view there was considerably more optimism with 70 per cent reporting an expected higher profitability (in financial terms) for their companies.

'No' to worker participation

Nearly one in three managers said that they believed their industries would be employing less people within a year and 40 per cent believed this would be true within five years.

Two thirds of the managers stated that they were against any large scale extension of worker participation in the private sector, though, significantly, almost three in ten (27 per cent) said they were in favour of such a move. As to their own companies, 31 per cent believed existing worker participation was negligible, 56 per cent said it was moderate and 12 per cent described it as "substantial." One third believed that worker participation would increase over the year, but more than 60 per cent thought it would remain the same.

The members of the panel were also asked which single means would be the most effective way to extend participation—irrespective of whether they were in favour or not. Forty-three per cent cited "share in financial ownership," which is scarcely worker participation in the usual sense. There would appear to be some confusion with "motivation," or "identification with company interests."

Nevertheless one in three managers named Works Councils as the most effective means; 12 per cent said "job redesign" but only 4 per cent cited worker directors.

LOMBARD

The mood of UK business

BY SAMUEL BRITTAN

ONE OF the fascinating aspects of business conversation, in the past couple of years has been how much more optimistic American and Continental executives have been about UK prospects than their British counterparts.

One reason for this derives from the most characteristic symptom of the so-called English sickness: low productivity and low real wages. Output per head or per machine is, as all international comparisons show, on average much below that obtainable with best practice techniques. But this very fact means that a concern which can successfully operate such techniques is in a position to make good profits, pay wages above the going rate and enjoy a reputation as a good employer.

It is a little mysterious why these achievements should be beyond the capacity of native entrepreneurs. However often it is denied, there is a peculiar English class system which inhibits mutual understanding. Americans have often told me how being neither upper class nor lower class nor even "nouveau rich" but simple Americans, they find it easier to communicate across the conventional barriers.

Yet to leave it here is too simple. There are so many accounts of improvements brought about even by native British managements in particular cases that it is difficult to square these on the ground reports with the overall statistics showing almost no productivity growth.

Generous

American concerns are, however, also attracted by what they perceive as very generous tax treatments of corporate profits. When Mr. Joel Barnett, the last Chief Secretary to the Treasury, remarked that the UK was "a corporate tax haven" he was echoing a widely held international view. But as one American executive emphasised to me the other night: "It was also an individual tax hell. But since the Budget it is just a corporate tax haven." He was not talking about the 3p cut in the standard rate of tax or the switch to VAT, around which the British argument has centred, but the trimming back of the higher rate taxes which were a deterrent to those who were bad at tax avoidance, or preferred straightforward take home pay to complex corporate plans on their behalf.

One should avoid facile connections between structural changes and market events such as the recent strength of sterling. Nevertheless, overseas investment in the UK is one other factor, over and above North Sea Oil, likely to make sterling strong. It beats me why Mr. Peter Walker should have given as a reason for devaluing the green pound "the benefit to the balance of payments." The balance of payments problem—if there is one—relates to its strength not its weakness. Recent trade figures give a very partial and misleading portion of the whole picture.

Psychological

This brings one to another psychological puzzle. According to economists who look at costs, prices and exchange rates, the appreciation of sterling should have depressed profit margins to a catastrophic extent for conventional British firms. Companies should have been cancelling investment plans canceling investment plans, left, right and centre. There is an element of this gloom in the official "Red Book" forecasts. But although there are some sections of industry, such as textiles, where such a mood can be found this is not general. On the whole the corporate mood was cheerful even before the election and has become more cheerful since. Finance directors are more cheerful than business economists; and chairmen are more cheerful than finance directors.

I would not bank on this continuing for too long. Chief executives, like the rest of us, tend to go by cash in the bank rather than sophisticated calculations of underlying profits. But that may merely mean the perceived squeeze will come later rather than sooner. Nor is it too cheering that some of the same executives who a little while ago were calling for an incomes policy to rescue them are now asking for an "act of will" by the new Government in standing by its monetary guidelines and not bailing out enterprises who award large wage settlements which they cannot afford.

Whether they would back such an act of will if it really occured is a matter for some scepticism. Personally, I would prefer intelligence to be supplemented by imagination rather than just willpower. How much there is of either in our arrangements, when a highly sophisticated U.S. trust manager begged me not to criticise Bank of England methods of monetary control after he had just put nearly all his portfolio into gilt edged, and did not want to be deprived of another easy ride, is an open question.

In short the business mood is surprisingly cheerful, but it is of a quality that should make one just a little suspicious.

Acquittal shows the pitfalls of pirated film

THE WEEK IN THE COURTS

BY JUSTINIAN

THERE WAS one other significant acquittal at the Old Bailey last week. If it did not have the same intense public and political interest, it will have profound implications for the waning film industry.

The case against Mr. Bob Monkhouse, the entertainer, and his co-accused for conspiring to defraud the film distributors in this country was stopped by the trial judge at the end of the prosecution's case.

They had been accused of agreeing together, to deprive by dishonest means, film distributors of their hiring fees. The dishonesty was said to be the importing through the Channel Islands of modern feature films from America, in flagrant infringement of the film producers' copyright; the use of the films in this country thus deprived the distributors of hiring fees they would have got but for the purchase of those pirated films from America whether for private collection or onward sale.

Copyright

The judge ruled that there was insufficient evidence of any dishonesty to make it safe to leave that issue to the jury. In the course of the evidence and extensive legal argument the legal and commercial problems of pirated films, and the means by which film producers can protect their product, were exposed.

Unlike producers of gramophone records or book publishers, the main film companies have from early days pursued an unswerving policy of never *selling* their films. Several original prints of the film negative are produced by the film distributors and are then hired out to wholly owned distribution companies, who in turn hire them out to cinemas for the duration of any public exhibition.

Copyright ownership in the cinematograph film is retained throughout in the film producer. Even old films that are no longer generally released are kept for hire to individuals who desire to show them to their friends at home or to small gatherings such as working men's institutes.

Trading

Until recently it was quite feasible for the film companies to keep a tab on their films, although pirated copies did leak out. Film laboratories occasionally were not averse to making unauthorised extra prints of films, and employees of film companies and projectionists at cinemas did succumb to the cash blandishments of people who "borrowed" the prints for long enough to make copies, which then circulated to collectors and others who exhibited the films clandestinely to interested groups.

Copying of films is an infringement of copyright, whether or not the copier knew that the work was under copyright. Four years ago a successful prosecution was brought against several persons who had acted in that way.

Copying is one thing, however, trading in copyrighted material is another. In the latter case, infringement of copyright takes place only if the trader knew that he was handling an infringing copy.

The outlets for films are so numerous and variable that the copyright owners are in difficulty in establishing that the particular film that is found in a person's possession is in fact an infringing copy. There is a vast trade in the U.S. in old and new films, and it is difficult to determine whether the acquisition of them has been legitimate or illegitimate, or more often of ambiguous pedigree.

In the American courts the issue is complicated by the established doctrine that, once a film has been sold, copyright no longer subsists in that film print, although copyright in the negative and other prints remains.

The trouble is that the "first sales" doctrine is not restricted to sale in the strict sense. Gifts to the stars of films, transfers of films to salvage companies for junking, and other forms of involuntary transfers all qualify as "first sales."

Sometimes airlines and television stations are allowed to keep the films they hire at the end of the hiring, on payment of a fee. And the problem is now exacerbated by the growth in video cassettes, by which films on television can be recorded and copies then made.

The "first sales" doctrine means that the copyright owner can sustain his claim to recover a film print only if he can negative the suggestion that the particular print has been subject to a "first sales." Although the courts have finally put the burden on the defendant to show that it is a "first sales," the film companies have had to allow inspection of all their records to the defendant, and this often means the collapse of the litigation.

If the case is a criminal prosecution, the burden is on the prosecutor to negative a "first sales." Hence prosecutions are fraught with technical, evidential difficulties.

Endorsed

The obstacles in the path of a prosecutor against anyone handling pirated films are such that alternative ways of protecting commercial products will be sought.

The Kinematograph Renters' Society, the film distributors' trade protection asssociatiton, has been working closely with the police in relation to pirated films. It may now turn to the civil courts as a more effective instrument of trade protection. If so, it will find the example of the gramophone record companies helpful.

Three years ago the Court of Appeal in *Anton Piller KG v. Manufacturing Processes Ltd.** endorsed a form of order that judges in the Chancery Division were making.

In that case, an English company and two directors were UK agents of German manufacturers of frequency converters for computers. The Germans complained that the English defendants were in secret communication with other German manufacturers and were giving them confidential information about the plaintiffs' power units and details of a new converter the disclosure of which would be most damaging to the plaintiffs' commercial interests.

Procedure

So as to prevent disposal of documents in their agents' possession relating to the plaintiffs' machines or designs, the plaintiffs applied to the court for an injunction before serving the defendants with any writ.

The Court of Appeal held that in special circumstances, where there is a strong prima facie case, actual or potential damage was very serious and there was clear evidence that the defendants possessed vital material that they might destroy or dispose of in order to defeat the ends of justice before the parties could be heard by the court, an order to hand over the infringing articles for safe custody could be made.

That procedure, known among the legal profession as the *Anton Piller* Order, has been employed gratefully by many copyright owners, particularly gramophone record companies.

The Order has indeed been extended in many directions. The *Anton Piller* order is *swift* and *effective*. Indeed many of the pirates and bootleggers in the gramophone record business have instantly delivered up their infringing material and gone out of business.†

Criminal law

The film industry, by contrast, has not yet resorted to the civil courts. Instead, it has tried to use the protracted and cumbersome process of the criminal law. Mr. Monkhouse was arrested only in July, 1977; his co-accused having been detained for questioning in October, 1976.

There is the further complication that with films there has grown up a new creature called the film collector, although the film industry resolutely and defiantly says there is no such thing as a genuine collector of films.

The U.S. courts, however, have acknowledged his existence as much as that of the genuine stamp collector; and, implicitly, Judge Leonard, QC, at the Old Bailey found that there was such a person.

* [1976] Ch. 55.

† Exparte Island Records [1978] Ch. 122.

Piggott answers his critics

RACING

BY DOMINIC WIGAN

WHENEVER Lester Piggott suffers with a reversal of fortune his detractors have been quick to write him off saying "Well, he's lost his appetite, hasn't he? or, less kindly, "not the jockey he was."

As Royal Ascot approached such remarks were rife, and Piggott's unusually low winning percentage of about 14 per compared with a norm of more cent in Britain for the season than 20 per cent was given as further proof that he had lost his touch.

Yet again he proved them wrong—hitting a purple patch at a time least expected.

Riding as well at the Royal meeting as at any time since his first win on The Chase at Haydock, on August 18, 1952, and certainly with even more enterprise, Piggott deservedly ended the leading jockey over the four days, for a 10th time.

For sheer expertise in reading a race and dictating proceedings Piggott's handling of Crimson Beau was, in my opinion, the feature of his riding there. Setting out to make all the running on the High Line colt in the Prince of Wales Stakes, Piggott was keeping plenty in reserve as the field turned into the short home straight.

It was only then when he drove Paul Cole's colt all out for home that the situation became clear to the opposition. However, the nine-times champion had snatched a decisive advantage and the energy spent by the favourite Lyphard's Wish in trying to retrieve the situation told against the Warren Place colt.

Although it could be argued that Joe Mercer on the runner-up was not caught napping, since he was always tracking Piggott, there is no doubt in my mind that both he and the other jockeys were "kidded" into a false sense of security some way out by Mercer on a colt rated no more than "smart" by Timeform's pre-Ascot black book.

As is it, Crimson Beau has now established himself as a good stallion proposition with a Group Two prize worth more than £17,000 and Lyphard's Wish will have to wait for another day before showing whether hard races in the Derby and the Prince of Wales have blunted his enthusiasm or left him a spent force.

BRIGHTON
2.00—Keep Off***
2.30—Go Laker
3.00—Andy Rew
4.00—Arjun**

He has always struck me as a very game colt who battles on in similar style to his stable companion, Kris, but I suspect that after two taxing efforts in a short space of time, he may need a long time to return to his best. It will be interesting to see if he remains in training as a four-year-old.

Cyclists carry atom protest

THE FIRST cyclist of a relay carrying a petition against the construction of Britain's nuclear power station at Torness, on Scotland's east coast, set out from Edinburgh yesterday.

The petition, bearing 20,000 signatures, is to be handed to other cyclists along the 400-mile route to London, where it will be presented to Mr. George Younger, Scottish Secretary, on July 4. It has been organised by the Scottish Campaign to Resist the Atomic Menace and the Lothian and Borders Anti-Nuclear Group five days to collect the signatures.

TV Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 1.30 pm Over the Moor. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Baggy Pants and the Nitwits. 5.05 Blue Peter. 5.35 Fred Basset.
5.40 News.
5.55 Nationwide (London and South-East only).
6.15 Wimbledon highlights.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Scorpio," starring Burt Lancaster.
11.15 Tonight.
11.55 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Scotland—5.55-6.15 pm Reporting Scotland. 11.55 News and Weather for Scotland.

Wales—11.00-11.20 am For Schools (Let's Look at Wales). 1.30-1.45 pm Pili Pala. 5.55 Wales Today. 6.15 Heddiw. 6.35 Join BBC 1 (Wimbledon). 11.55 News and Weather for Wales.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.01 pm For Schools, Colleges.
2.20 Wimbledon Lawn Tennis.
8.00 Mid-evening News including sub-titles.
8.10 The Waltons.
9.00 Inside Story.
9.55 Verse, Worse and Baby Grand.
10.20 Return Call to Brass Tacks.
11.35 Wimbledon highlights.
11.25 Late news.
11.40 Henze Direkt.
12.05 am Closedown reading.

LONDON

9.30 am Schools Programmes. 12.00 Jamie and the Magic Torch. 12.10 pm Stepping Stones. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 All About Toddlers. 2.00 Monday Matinee: "A Brand New Life." 3.20 This Year, Next Year. 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 Batman.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Street.
8.00 In Loving Memory.
8.30 World in Action.
9.00 Spearhead.
10.00 News.
10.30 Monday Thriller: "The Strange Affair."
12.25 am Close: Personal Choice with Richard Briers.

All IBA Regions as London except at the following times:—

ANGLIA

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

BBC Radio London

[illegible]

London Broadcasting

[illegible]

F.T. CROSSWORD PUZZLE No. 4,004

ACROSS

1 Two cats provide the best (3-3)
4 Relative gets round in what is left (8)
10 Thankless dean is about to desert (7)
11 Backing up in play (7)
12 To pull may be a tedious experience (4)
13 A formal apology introduces the piteous spectacle (5, 5)
15 The commander gets in a veterinary surgeon for the bird (6)
16 Against Anthony's part without delay (7)
20 Allowed to be themselves by those who forget and forgive (7)
21 A swelling—it is in the blood (6)
24 A prelude to plain speaking—the bridge player may do it (4, 1, 5)
26 Call for help finds love indifferent (2-2)
28 This type of music puts Timothy in a temper (7)
29 Attire for a friend about 30 (7)
30 Tools that cause confusion in the work (8)
31 Current admission of paternity in broken English (6)

DOWN

1 Fielder who must have a couple more (5, 3)
2 A grim upset for a politician involving change of abode (9)
3 Stone work for nearly everyone (4)
5 Somehow turns in a policy holder (8)
6 Tax unpopular with Smith minor (10)
7 Here is a crop although no good follows (5)
8 What Ixion was bound to do (8)
9 County of French and German make-up (5)
14 Dictator includes proportion in the end of the speech (10)
17 Suggests lack of effort, but not over money (2, 7)
18 Real PAYE changes in 1980 (4, 4)
19 Expedient about the origin (8)
22 A young flier who made quite a splash (6)
23 Cited as an order (5)
25 Sayings of one in a gaol break (5)
27 The wood some Scandinavians have to stock (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

ingham Playhouse

Toads by B. A. YOUNG

Kammerer, whom Barry has chosen as the hero ew play, was a Viennese t. He embrared the kian creed, that characteristics may be d, and spent much of vainly trying to prove reptiles bred in bia ory. More of his life nt recording apparent ences in an endeavour to a serial principle from currence. He succeeded er quest, and ultimately himself after being of fudging bis results.

Collins shows us an ry version of the last ours of his life. He has to the Schneeberg, nted in Liz da Costa's by what seems to be a castle architecture l up in white canvas, re be falls in with an r from the Coroner's who bas the gift of the properties of things ing them. The inspector that in exactly three time, at aix o'clock, er will shoot himself the left temple.

three hours, slightly ed, are filled with the fantasies of both Kam- nd the inspector. They include not ooly anthropomorphic toada and a lizard that grows wings (on Darwinian rather than Lamarckian principles, though the evolution happens offstage), hut also Kammerer's family, a Viennese prostitute, a dancer, Sigmund Freud, Alma Mahler (in her bath) and one Fontgibu, of whom we know only that be like plnm pie.

The nnifying factor in all this whimsy is the inspector's insistence that Kammerer should kill himaelf according to his predicted detail. When any attempt is made to beat the gun, as it were, the gnn jams, or an accidental shot deprives Kammerer of bis last bullet (at once replared by the inspector, wbo happens to have with him the bullet with wbich Marie Vetsera was killed at Mayerling, an event which he watched through the keyhole.

I couldn't deduce anything much from the more fantastic business, which seemed to me to be introduced more for entertainment than for tha establishment of a symbolic pattern. The entertainment is on a very variable level. The inspector, shown how a creature called a sea-squirt grows bigger external sipbons wben the originals are cut off, remarks "Now we know wby Cleopatra kept a eunuch." Dr. Freud, rising, recumhent on bis couch, from the trapdoor, asks "Are you one of the Kodak Kammerers?" The pair of midwife toads *(Alytes obstetricans)* endlessly copulating in their glass case provide some circus reactions but disappointingly little else.

Frankly, I feel that Mr. Collins hasn't gone deeply enougb into his material to provide more than a vaudeville. Kammerer's long final speecb about the propect of cbanging human nature doesn't truthfully arise from what we bave seen and heard. Without more serious probing into Kammerer's cbaracter and circumstances than ia provided here, I doubt if the theme can sustain more than a one-act piece.

Robert Lloyd plays the neurotic Kammerer with lively neuroticism, and Christopher Ettridge fills out the practical inspector with his bowler hat, his ootebook and bis incidental gout. The rest are such stuff as dreams are made on, with little depth to them. It's a pity tbat the reptiles must speak through offstage amplifiers, for it dulls their anthropomorphism. The director is Geoffrey Reeves.

Robert Lloyd with Toads (Amanda Knott and Christopher Ryan).

al Hall

LSO/Tennstedt

torious, exhilarating 7 from Klaus Tenn- the London Symphony on Thursday. After ilating, sickly, oppres- ninglessness of Kara- count of the Eighth y on Tuesday, this was eshing and reassuring: t proved that Bruckner bave to be played with ccents ironed out, all culation missing, in convince.

his Bruckner, is full nd abandon the rhythms ke a peasant dance, the are not only shaped ral grace hut also have move and breathe, and atral texture is finely balanced. Tennstedt he music with respon- e; his genius is not so r architecture as for life into the tranai- sudden shifts of key, drawing out the climaxes with a firm—never vulgar—touch.

On this occasion the LSO responded with the most splendid playing. I have heard in this 75th anniversary series: crisp, unanimous, alive, and in some departments (lyrical first flute, restrained brass, perfectly clear timpani) uncommonly distinguished. In the first half, the cellist David Geringas made an uncertain stab at Schumann's Cello Concerto: his technique and his sound were both impressive, but he seemed to do himself less than justice, producing only a flawed, uneasy lyricism.

NICHOLAS KENYON

Lawrence portrait exhibition

The Sir Thomas Lawrence exhibition by the National Portrait Gallery which opens on November 9 at the exhibition rooms at 15 Carlton House Terrace, London SW1, will be the first ever to assemble both drawings and paintings by him from public and private collections abroad—notably the U.S., France and Germany—as well as from Britain and Ireland.

Among paintings being lent from the U.S. is the portrait of Mrs. Wolff (from the Art Institute, Chicago), a close friend of Lawrence and the full length portrait of the actress Elizabeth Farren (from the Metropolitan Museum, New York). This picture, first shown at the Royal Academy in 1790, belped to focus public attention on the ability of the young Lawrence.

Jazz at Ljubljana

by KEVIN HENRIQUES

Ljubljaoa, the capital of Yugoslavia's province of Slovenia and a achizophrenic city whicb mixes genuine old cbarm with genuine imperaonal modernity, has beld an annual jazz festival since 1960. To be strictly accurate the first seven were staged at the picturesque lakeside resort of Bled, some 52 kilometres to the north-west. Falling attendances forced the move to Ljubljana in 1967 where the festival, with its format of four-bour evening concerts plus post-concert jam sessions, has wisely avoided becoming an unmanageable, elephantine jamboree and continues to thrive.

Credit for the two decades of continuity goes almost entirely to the city's jazz society, composed of lovers of the music, and to the organiser responsible for selecting and arranging the artists who bave appeared every year since 1960, Mike Mazur from Zagreb.

Financial backing for the mounting of the festival, held in a country officially described as a socialist federal republic, comes from the culture funds of Ljubljana and the government of Slovenia, fees arising from coverage by the Slovenian radio and TV stations, and, of course, from entranre charges. The budget for this year's festival, the twentieth, was approximately 1,050,000 dinars (over £26,000) and to judge by the attendance on all four nights must bave come in comfortably inside this figure.

For 1979 the programme had a heavily contemporary hase, appreciably jazz-rock slanted. And though one personally longed for a breath of joy-giving Mainstream or groovy Bop to provide mucb-need contrast the predominantly young audience seemed completely satisfied with the fare offered.

The venue for the concerts was the Krizanke, a former monastery, wbicb has a 1,800-capacity open-air summer theatre. A huge canopy protects the audienre and artists from the weather and never was it more needed than on opening night earlier this month as torrential, drought-breaking rain beat down from tbe moment the first band, consisting of Yugoslav students from tbe Graz Music School in Austria, opened the festival.

As with most jazz festivals held on the Continent, a sprinkliog of European musicians is mixed with a large belping of visiting Americans. No doubt that among the former the Finnish quartet led by pianist Vladimir Shafranov and saxisl Elro Koivistoinen was the most musically satisfying because of its smooth, simple sincerity. Eventually their set produced unexpected fireworks wben, as the co-leaders played a slow, reflective piece in duo, a spectacular and noisy pyrotechnic display erupted near to the Krizanke, distracting everyone exrept the two musicians.

Britain was represented by the Ronnie Scott quartet and by Nucleus, the jazz-rock group led by trumpeter Ian Carr. Though now ten years old, Nucleus, with its broad-based contemporary style, still possesses the ability to excite. Some clever interaction between the leader and saxist Brian Smith on "Out of the Long Dark" and a later particularly effective piano (Geoff Castle) and drums (Roger Sellers) sequenre highligbted a well-organised and balanced 45-minute set.

Inevitably, though, it was tbe American groups which contributed the bulk of the memorable music. Notable exreption was the quartet of tenorist Joe Henderson, whose unconvincing, uncommitted performance was partially explained by the absence of two key sidemen harred from enteriog Yugoslavia because of their South African passports.

A more positive impression was left by the fragile-looking lady pianist Joaone Brackeen. Blessed with a stroog technique she bas a welter of harmonic ideas which, allied to a good rbythmic feeling, makes ber a pianist of exceptional interest. Her aolo examination of Duke Ellington's "In a Sentimental Mood" was on a grand scale but avoided pretentiousoess.

Black American avant-garde jazz was represented in all its fury by the quintet of drummer Beaver Harris. Here was intense, joyless jazz demanding a lot of concentration from the listener. The only respite from the onslaugbt came in the concluding in-tempo number in whicb trombonist Grachan Moncur III played some impressive Bop licks and reedman Ken McIntyre proved that fixing an electrieal attachment to a bassoon does not make it an easier instrument to play nor give it a better sound.

Canadian-boro pianist Paul Bley offered his original, severely intellectual solo improvisations and explorations. He draws from a variety of influences, not all in the jazz idiom, and even found time to pluck the strings inside the piano wbich plainly pleased the audience. So be repeated the effect.

Though four-mallet vibes virtuoso Gary Burton closed the festival on the Sunday night there was little doubt that the Dave Liebman quintet made tbe hardest impact of all the groups. An astoolsbly talented multi-instrumentalist, composer and arranger, Liebman leads a band whicb plays the sort of high energy jazz with rock overtones which could only originate from tbe United States.

But his music is not a simple jazz-rock fusioo. It is thoughtfully composed and exciting and he is not afraid to turn to jazz standards, *vide* the soprano-sax/guitar version of "Monk's Mood."

A hard-driving saxist and former sideman with Miles Davis, Elvin Jones and Cbick Corea, Liebman leads his musicians with bravura and boiling enthusiasm. He is supported searingly by a flamhuoyant resourceful, iron-lipped Jaoanese trumpeter, Terumasa Hino, and a cracking powerhouse drummer Adam Nussbaum.

The quintet, improvisatory and inspirational all through, mirrors the surging personality and playing of the leader. Ao bour or so after closing the Saturday night concert the indefatigable Liebman was in the midst of a jam session in a Ljubljana hotel playing not only sax bul also piano and drums—amazingly, not all at the same time!

Aged only 33, Dave Liebman is living contradiction of nostalgic bleats that there are oo characters among the oew generation of jazzmen.

Travel writer wins award

The Arts Couocil and Provincial Booksellers Fairs Association £250 award for a book on travel or exploration has gone to Shiva Naipaul for North of South publisbed by Andre Deutsch.

The £250 award for the design of a dust-jacket has gone to Ms Barry Castle for The Ape's Reflexion by Adrian Desmood publisbed by Blond and Briggs.

Peter Pears and Marie McLaughlin

The Maltings, Snape

Eugene Onegin by RONALD CRICHTON

Rostropovich, as one of the artistic directors of the Aldeburgh Festival, had the happy idea of celebrating the centenary of the first performance of *Eugene Onegin*. This took place not at the Imperial Opera but at the Moscow Conservatoire—Chaikovsky felt that student singers were more suitable for this work than musically experienced but physically too mature opera singers. The Aldeburgh staging (seen for the first of three performances last Monday) accordingly involved the Snape Maltings Training Orchestra, a chorus from the Guildhall School of Music and Drama, dancers from the Ballet Rambert School, and young principals most of whom have been through advanced study courses at the Britten-Pears School.

Rostropovich conducted. He, like many others, claims *Onegin* as a "chamber opera," but it did not, on this occasion, come oul altogether like that. Perhaps Russian and British ideas about intimate music-making are as different as, say, Bach played by Rostropovich and by emotionally reticent British cellists? Everything in his *Onegin* was brushed in with broad strikes: much to enjoy, but not a great deal of subtlety or consistency. The conductor hugged and squeezed the music, adoring every note, now dashing ahead, now coddling a phrase to make doubly, trebly sure everyone would share his enthusiasm.

The orchestra gave him warmth, vibrancy and remarkable suppleness. There were moments of acute sensibility, such as a normally inconspicuous passage for lower strings just before the off-stage chorus in the first scene, which seemed to resume the grief of the entire Pathetic Symphony into a few bars. Lensky's aria had a subdne, luminous accompaniment of great beauty. The lead-in to Gremin's aria was magical. Passing shudders of shaky ensemble between stage and pit were a reminder that even musicians of Rostropovich's calibre don't become routined opera conductors for the asking.

Since almost anything sounds well in the Maltings but not everything, at least from a seat near the front, looks well there, the conductor had an easier task than producer (Christopher Renshaw) or designer (Robin Don). Broad effects again—the ensemble scenes fairly well blocked in, with some well-integrated dances arranged by Terry Etheridge, the scenery a mish-mash of naturalistic bull-rushes, dainty silhouette effects and a silly Brechtian half-curtain that stuck. Some ingenuity, in the Petersburg hall, for example, little unity of style and indeed not much style.

Individual characters were crudely sketched. On the first night Tatania was sung by Marie McLaughlin, who shares the role with Elizabeth Brice. Miss McLaughlin brought impressive fullness and variety of voice but gave a one-sided picture of the girl—pathologically shy and gawky, unlikely to interest Onegin at any stage, too quickly shaken out of her worldly poise in the St. Petersburg act. Richard Jackson's Onegin, firmly and distinctively sung, excellently sardonic in the country scenes, came near to caricature at the end.

Adrian Thompson's Lensky, on the other hand, touching and extremely musical, deserved the care the conductor lavished on his music. As the nurse, Filipevna, Nuala Willis displayed a fine, deep contralto. Olga (Catherine Denley) and Madame Larina (Marilyn de Blieck) were sound but English as English. A gifted young Canadian bass, Ingemar Korjus, sang Prince Gremin. Peter Pears graced the proceedings as Monsieur Triquet the French tutor. They used the English version of David Lloyd-Jones. The company's diction was the best I have heard for many a long evening.

Wigmore Hall

Sheila Armstrong

Miss Armstrong is too rarely heard in London these days, and it was especially gratifying that she chose so wide-ranging a programme for her Master Concert with John Constable on Saturday. Her lower register seems to have acquired new substance, without prejudice to her brightness and agility above the stave, as the "Allelujia" from Handel's *Esther* showed. Three of Haydn's English songs were as lovely as anything in the recital: though the bounds of the style were never breached, she projected each with singular dramatic intensity and unfailingly beautiful tone. Her controlled pianissimo, penetrating and expressively rich, is a marvel.

She used it poetically in the *Frauenliebe und-Leben* of Schumann, making the succession of songs something like pages from an intimate diary. Even "Er, der Herrlichste" and "Helft mir, ihr Schwestern" were less excited declarations than warm recollections. Perhaps the mature refinement of Miss Armstrong's reading qualified the innocence of the first songs a little; but the potent, sensual tenderness of "Süsser Freund" was memorable. Everywhere there were marks of insight, and she and Constable made a striking effect with the final song: not a pathos-laden elegy, but a strong, bleak statement, and the more moving for it. I was doubtful only about Constable's brisk treatment of the postlude, where everything about the performance led one to expect a remote echo, not an as-if-it-were-only-yesterday recall.

A singer is pulled in two ways by Ravel's five Greek folk songs: are the candid original tunes to set the style, or the sophisticated settings? Miss Armstrong took her note entirely from the latter—exquisite and very slightly denatured. She was infinitely subtle and seductive with three Duparc songs, especially "Phidylé"; "Au pays où se fait la guerre" was a whole vividly conjured *scena*, and she sang "L'invitation au voyage" not as usual as if Cythera were already attained, but from an anxious, yearning distance. Five songs on Betjeman verses by Madeleine Dring (who died two years ago at 54) proved to be neatly turned show-songs, expert with accompaniment-writing which scarcely ventures beyond Brahms's folksong settings. Miss Armstrong was coolly charming with them, and Constable offered as pointed and inventive support as he had done in everything that preceded. An evening of great and pleasurable rewards.

DAVID MURRAY

NIS JOHN BARRETT

rg's fight is tougher than ever

EAR when practice on been seriously hit by ier, there are some who sh enough to consider s 93rd Championship which starts at on today with a record prize money, is a se race for the men. only mention Bjorn defending champion, cEnroe aod Jimmy seeded respectively o, three, as likely

Similarly, armchair experts with delightful naivety, bave reduced the women's evaot to another confrontatioo between Chria Evert-Lloyd and Martina Navratilova.

The players themselves are morcrealistic. They know that after 11 years of open tennis the average standard baa never been higher. They insist that this is tbe most open championship for yeara.

Borg is fully aware that his draw is tongher than it has ever been. He knowa that if be is to establisb a modern record by winning a fourth consecutive title be must be at his very best from day one. There can be no lapses like last year's near catastropbe in the first round against the American left-hander Victor Amsya.

Tom Gorman, Borg's opponent this afternoon, beat Rod Laver in 1971 and reached the semi-final. That is bardly a walkover. Borg's next likely opponent, the hurly Australian Mark Edmondson, won the first two sets from bim in 1977 before losing 6—1 in the fifth.

In tbe semi-final Borg is seeded to face the man he beat in the 1977 and 1978 finals Jimmy Connors, or Paraguay's glant killer, Victor Pecci, who beat Connors tbree weeks ago in Paris.

The lower half looks less complicated. John McEnroe the No. 2 seed who beat both Connors and Borg to win bis first World Championship Tennis title last May bas a relatively quiet corner of the draw. In the quarter final he is scheduled to meet either the cannonball American left-hander Roscoe Tanner who was a semi-finalist at Wimbledon in 1975 and '76 or compatriot Slan Smith tbe 1972 champion who is enjoying his best season for years.

The reformed playboy Vitas Gerulaitis (seeded fifth) has never been fitter and since his association with Australia's three time finalist Fred Stolle, be bas won a second Italian title and is looking even more confident than be was in 1977 wben be came within a whisker of beating Borg in their epic semi-final. His quarter final is due to he against Arthur Asbe, the 1975 winner, who is enjoying a new lease of life following a successful beel operation, in spite of his 35 years. Ashe insists that he is playing well enough to win again.

The women's championship is fraught with speculation about a worrying crop of rerent injuries affecting some of the leading players. Fourth seeded Tracy Austin (groin), Pam Shriver (shoulder) the 16th aeed and Billie Jean King (groin) the surprising seventh favourite were all injured last week at Eastbouroe, and the third seed Evonne Cawley of Australia is playing only ber second grass court tournament since forfeiting to Miss Navratilova in last year's dramatic semi-final. The way she won in Chichester two weeks ago suggests that the Australian No. 1 bas made a complete recovery.

Certainly the final of the Colgate International last Saturoay at Devonshire Park, Eastbourne, confirms that tbe two Wimbledon favourites have timed their preparations to a nirety. Mrs. Lloyd reversed last year's result to score a thrilling 7—5, 5—7, 13—11 win over Miss Navratilova.

The Eastbouroe tournament has become something of a barometer for Wimbledon. When Miss Evert won in 1974 aod 1976 sbe went on to win at Wimbledon, just as Miss Navratilova did last year.

The birth of the teenage star
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CRICKET TREVOR BAILEY

England chose the wrong men

AS HAD always seemed likely, the West Indiea won tbe Prudential World Cup, for the second time, in a fina game at Lord's on Saturday.

Although for a one-day match their 92-run win appeared an overwhelming victory, the outcome was wide open notil Richards and King savaged our apology for a fifth bowler after lunch.

England might have gone closer to reaching a near impossible total, if it had been realised that 100—0 after 32 overs was not quick enough for a team needing 4.8 runs for 60 overs. It meant that the later batsmen were asked to score at seveo and eight per over against world-class fast bowlers witb defeosive fields.

Inevitably, England failed althougb the abruptness, with eigbt wickets falling in the space of only 26 halls, was a surprise and an anti-climax.

Knowing the pitcb was likely to provide the pace bowlers with maximum assistance in the morniog, Mike Brearley correctly made wbat could he termed both an offensive and defensive insertion. He certainly had reason to be well satisfied wben Old dismissed Lloyd.

Tbe West Indies were 92 for four and struggliog with only Ricbards, at that stage below bis best, and the spectacular, but unpredictable King standing between their long, and suspect tail.

After the interval Brearley decided to use up the evers which bis fifth non-bowler and spinoer, Edmonds, had left, ratber thao gamble on an all-out effort by his scamers to break the partnership which settled the match. It proved a fatal mistake as the West Indies reached 286—9.

The odds were that the West Indiea, with five batsmen capable of producing runs against a quality attack, would be too atrong for the hest England XI available, but our selectors hoth in terma of the make up of their original squad and the side for the final did not help.

Looking at Brearley's team, one gains the impression they were cboaen more for the services rendered last winter in Australia than for the apecific, aod often different requirements of the one-day game. For example, Boycott is a mucb finer batsman than John Hampsbire but on a good wicket in this form of crickel Hampshire is usually more valuable.

One falacy of our cricket is that a sound steady start with plenly of wickets io hand is tbe automatic key to a big total in one-day cricket.

It can work out that way, but only when the slog comes off. Large acores are more likely to occur, wben one of the openers scores quickly from tbe outset. Greenidge provides a perfect example, while Gooch in domestic cricket has done very well in this role.

It is, therefore, difficult lo understand how Brearly and Boycott were considered the best available opening pair for this type of cricket, aa both are essentially watchful accumulators.

The omission of Joho Lever has been much appreciated by Essex supporters, and taking a remarkable 50 wickets in June, Lever has put his county on top of tbe table, but is difficult to understaod.

He is bowling better thao ever io his life, possesses an outstanding record in tbe ooeday game, hrings variety through being left-handed and is a brilliant outfielder.

I have a higb regard for Boh Taylor, but in 60-over matchea, I would bave preferred a keeper wbo is also capable of scoring quick runs, such as Tolchard or Bairstow, because a questionmark remains against our batting.

With Willis injured, tbe selectora repealed the miatake which nearly cost them the semi-final against New Zealand trying to fiddle through 12 overs from non recognised bowlers. A five-man attack ia essential, not a luxury against internatiooal atroke makers. Boycott, Gooch and Larkins were hrutally hit for 86 runs which virtually ended any real chance of victory.

In cricket and interest the second World Cup proved another great success and I expect the next to be staged in Australia. The competition waa quite appropriately won by the strongest team, the West Iodies.

Although England were the best fielding side and in one-day internaltonals it could be said that Randall was worth his place for that alone, they were lucky to bave met Pakistan, who had the West Indies in conaiderahle disarray during the semi-final, on a pitch favouring seam and no Sarfraz available, rather than at the Oval.

French furniture auction expected to make £4m

WHAT SOME experts believe to be one of the finest pieces of furniture lo be auctiooed comes under the hammer at a Sotheby's aale tbis week.

The piece, a Louis XV corner cabinet in ormolu-mounted marquetry, is included in a 200-lot collection of French furniture that is expected to fetch about £4m.

The collection surpasses in importance Sotheby's sales of the Lady Baillie and Lord Rosebery Mentmore furniture colleclioos, wbich established world anction records for furniture.

It is being sold by Mr. Akkram Ojjeh, a Saudi Arabian financier and industrialist, in a two-day auction in Monte Carlo

Mr. Ojjeh bought the collection, formed by tbe Wildenstein family of art dealers at the end of the last century, privately two years ago.

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Europe hangs together

THE MOST striking fact about the meeting of the heads of government of the European Community in Strasbourg last week was the desire among all member states to stick together. The Community will not be alone in facing a major economic crisis if the present shortage of world oil supplies gets any worse, or if the price of oil goes on rising at its recent rate. Equally, European unity will not in itself be enough to solve the problem. But if Europe is divided, the chances of finding a solution will be less.

What is imperative now, therefore, is that the Community should seek to build on the unity achieved in Strasbourg.

Principles

The statement on energy issued after the Strasbourg meeting may look in many ways like a lowest common denominator yet as a general statement of principles it is far from negligible. The Community has reaffirmed its intention to cut oil consumption this year by 5 per cent. It has gone further by resolving to limit oil imports between 1980 and 1985 to a level not higher than that of 1978. It has declared its interest in developing alternative sources of energy, and it has issued a strong endorsement of nuclear power. "Without the development of nuclear energy in the coming decades," the statement says, "no economic growth will be possible."

The fact that member states of the Community are left to go about achieving the cuts in oil consumption in their own way is probably an advantage. There is no case, in this instance, for harmonisation for its own sake. If one member wishes to proceed by import ceilings and others by relying on the price mechanism, that is a matter for the country concerned. The important point is that the cuts should be implemented, one way or another. Indeed, one of the reasons why the Strasbourg meeting reached agreement was that the French, who had been pressing for the generalised introduction of import ceilings and even for the fixing of a world oil price, were prepared to drop their demands. It was the need for unity that prevailed.

At the same time, however, no one would pretend that the Strasbourg statement is enough. Such is the precariousness of world energy supplies both now and in the long term, the statement notes, that the world will move rapidly towards a "large-scale economic and social crisis" if a common strategy cannot be worked out between consumer and producer countries.

Defence

The immediate intention is to seek an understanding, along the lines of the principles laid down in the Strasbourg agreement, with Canada, the U.S. and Japan at the economic summit meeting in Tokyo at the end of this week and then to establish contacts with the producers who begin their own meeting on oil prices in Geneva tomorrow.

It is by no means certain that the consumer countries can agree among themselves even on the relatively modest objectives set out in Strasbourg, and it is still less certain that they can reach an agreement with the producers, even if they do. But the way to look at this question is to examine the consequences of failure. The failure of the industrialised countries to agree on energy, or the failure to implement any agreements they do achieve, would undermine such western unity as has been established over the last few decades. The industrial democracies would be obliged to compete destructively among themselves for such energy supplies as exist. They would be incapable of presenting a common front to the producers in any negotiations. The consequences in the longer term would be not only economic and social. They would also spread to defence, for a western world that was weakened by internal divisions could hardly defend itself.

Reality

The European Community has made a start. It has begun to talk less about the surplus of milk than about the shortage of oil. It has recognised that it is comparatively weak, but that without unity it would be even weaker. All that is a welcome acceptance of reality. It is quite different, for instance, But there is a long way to go from the oil crisis of 1973-74. But there is a long way to go and the unity must be maintained. The example of 1973-74 is a reminder that the crisis does not go away.

More trouble for Muzorewa

A NEW question mark has been placed over the stability of the Government in Zimbabwe Rhodesia by the defection of eight Members of Parliament from Bishop Muzorewa's United African National Council, and the possibility that there are more defections to follow. The eight have formed a new party under the leadership of Mr. James Chikerema, the former vice-president of the UANC. This has robbed the bishop of his party's majority in the new coalition Cabinet and of its overall majority in the House of Assembly. Neither development will prevent the bishop from governing, since the UANC and the entrenched white members in the Cabinet and Parliament will generally vote together.

But the split, which comes just three weeks after the formation of the new Government, does have disturbing ramifications. First, it is bound to increase the relative importance in Parliament and the Cabinet of Mr. Smith and his fellow white MPs. This in turn is likely to lead to intensified criticism from abroad of Rhodesia's new constitution, under which whites have 28 reserved seats in the 100-member parliament and a quarter of the Cabinet posts.

Secondly, the rupture in the UANC is on tribal lines, making it more difficult for the bishop to speak for the country as a whole. The breakaway group consists of Zezorus—the tribe to which Robert Mugabe belongs—and it includes some of the UANC's most respected veteran nationalists.

Potentially serious

The split is the latest, and potentially the most serious, of the divisions which have arisen among the parties to the "internal settlement" agreement. Against a background of unabated guerrilla warfare, Bishop Muzorewa has yet to prove that he is capable of holding together a Government and that he is truly in charge.

This is one of the factors the British Government will have to take into account as it reassesses its Rhodesia policy in the light of reports by two envoys who have just returned from Africa. Mr. Derek Day, Britain's semi-permanent representative in Salisbury, will be reporting to the Foreign Secretary on the position inside Rhodesia. Lord Harlech will be giving his impression of the mood in the seven black African states he has just visited.

Lord Harlech will have found that most of these countries remain extremely hostile to the Muzorewa Government. Any British attempt to recognise Salisbury would provoke extreme anger and a crisis within the Commonwealth. It could increase the possibility of direct Soviet or Cuban involvement and could lead to retaliatory African action against British trading interests, particularly by Nigeria.

Changed picture

At the same time, many African Governments are prepared to accept that last April's election in Rhodesia has changed the political picture and that—like it or not—the Muzorewa Government is a fresh reality. Furthermore, Zambia, one of the key front line States is in the embarrassing position of depending on Rhodesia's transport system for vital imports and exports—at a time when it faces a severe maize shortage. This must affect its room for manoeuvre.

The British Government has evidently decided that it will make no move towards recognition of the Muzorewa Government at least until after the Commonwealth Conference in Lusaka in August. But, thereafter, it could face an agonising decision. As matters stand now, any attempt to reimpose sanctions on Rhodesia in November would divide the Conservative Party.

However, as the split within Bishop Muzorewa's party demonstrates, the elements which make up the Rhodesia crisis are changing their pattern all the time. By November, a far different position, both inside Rhodesia and in the surrounding front-line states, could confront Britain. This is why it is so important that the Government proceeds cautiously now.

QUITE A WEEK FOR THE JEREMIAHS

The inflationary crunch comes to Britain

By PETER RIDDELL, Economics Correspondent

THE ECONOMIC jeremiahs have had quite a week. The current account of the British balance of payments (visible and invisible trade) has swung from a surplus of £800m in the second half of 1978 to a deficit of £1.08bn in the first five months of this year. Company profits are falling sharply and the rate of price inflation is accelerating. Yet sterling has been exceptionally strong, rising to its highest level against the dollar since summer 1975.

This mixture is not quite as paradoxical as it might seem. But taken together these indicators support the warnings of those who have all along feared that Britain would fritter away the benefits of North Sea oil. Consumer spending might be buoyant, but so would imports, and the decline of manufacturing industry would continue in a process known inelegantly, though accurately as deindustrialisation.

The signs have been clear for some time. As last week's Bank of England Quarterly Bulletin pointed out, a significant part of the growth of output in 1975-78 resulted from increased production of North Sea oil while manufacturing output rose very little. *Last year's consumer* boom was mainly reflected in a sharp rise of imports.

The outlook appears to have deteriorated even since last year. In November, the Treasury was forecasting a growth of total output, as measured by real Gross Domestic Product, of 2.4 per cent this year, compared with 1978. The latest Treasury forecasts are for growth of less than 0.4 per cent this year, partly as a result of slower world expansion. But in spite of this slowdown the projected current account deficit in 1979 has been revised upwards from £250m to £750m.

The point to watch, however, is inflation. Last summer the 12-month rate of increase of retail prices was 7.4 per cent, a five-year low. Last autumn the Treasury forecast only a slight acceleration to 8½ per cent by the end of this year. Now the expectation is that the 12-month rate — already back in double figures — will be up to 17½ per cent by November.

Inflation

Only about half the deterioration can be accounted for by the sharp rise of Value Added Tax and the other Budget measures which will add 4 percentage points to the retail prices index. Part of the explanation is that the single figure rate of inflation reflected an unusual combination of especially favourable influences.

The strength of sterling, a fall of interest rates, weak world commodity prices, a relatively small increase of average earnings over the 1976-77 pay round, and a tight monetary policy combined to hold down inflation in 1978. The improvement turned out to be short-lived.

The acceleration of the growth of average earnings from 8 to 14 per cent in the 1977-78 pay round began to work through. In addition, large rises in the price of fresh vegetables, higher interest rates, an increase of the national insurance surcharge paid by employers and big rises in local authority rates have tended to push up prices since last autumn. The delayed impact of the more rapid rate of monetary growth in the first half of 1978 may also have had an effect.

There has also been a major change on the external side with not only a jump of the price of crude oil, but also increases to the cost of other commodities. The impact of these rises on domestic prices would have been even larger but for a steady appreciation of the value of sterling against other major trading currencies —up 11½ per cent in the last 12 months.

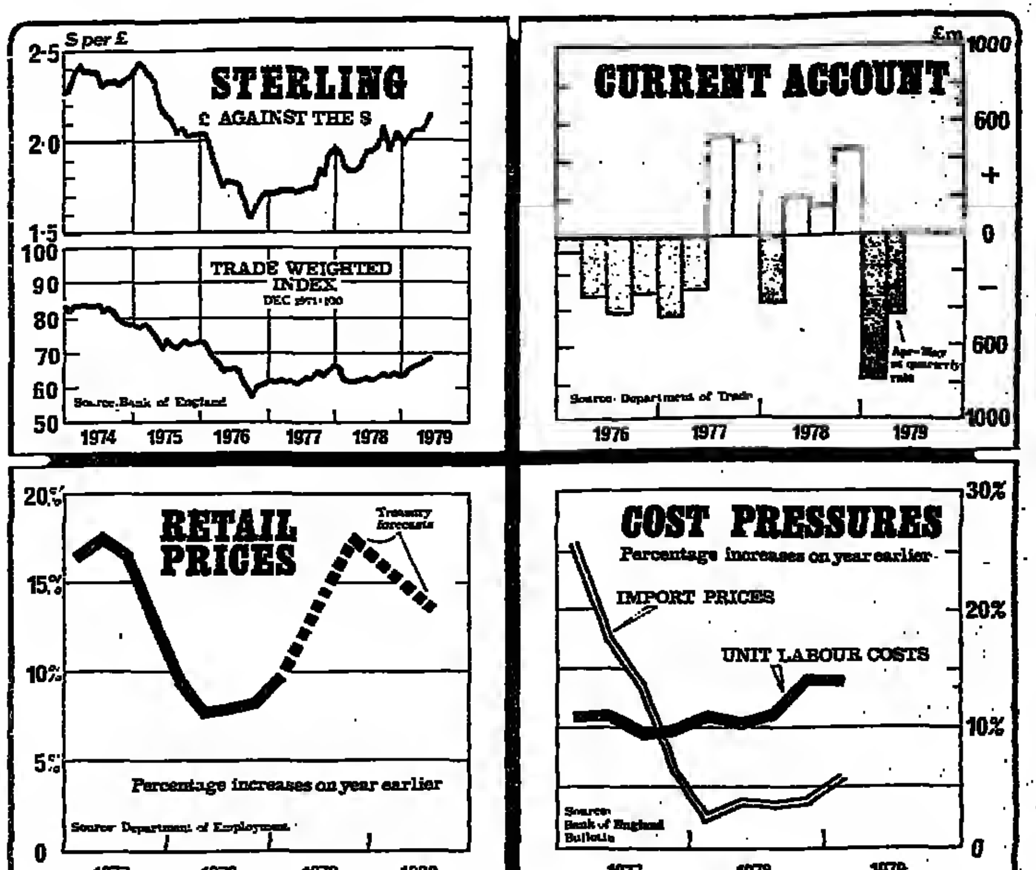
This has reduced the effect of increases of the dollar price of oil and other commodities. Nevertheless, the cost of industry's raw materials has risen by 9.1 per cent in the last six months compared with only 0.3 per cent in the previous half-year.

The result has been that a significant acceleration of inflation was already under way before the Budget though some rises were held up ahead of the general election. But there are hopes that the underlying position may not deteriorate significantly from now onwards. The Bank Bulletin commented that, apart from the effects of the Budget, "the prospect for the rest of this year seems to be that retail prices will rise little, if anything, faster than in earlier months."

This hope rests in part on the optimistic view that wage bargainers will accept the Government's argument that the price raises associated with the Budget were once-and-for-all, and that the general impact on spending power will be positive. This message does not yet appear to be accepted, to judge by the initial unfavourable response to the Budget in the opinion polls. There have also been union calls for once-and-for-all pay rises to cover these price increases.

The Government has thus clearly taken a big risk ahead of the next pay round. But the expected squeeze on company profits—partly reflecting the high level of sterling—and the generally sluggish state of the economy are likely to affect pay negotiations. So it is possible that in the absence of a norm for average wage rises the level of settlements could vary from industry to industry. The various pay comparability studies could have a significant effect in the public sector. The Treasury's price forecasts assume that private sector earnings will rise at much the same rate as in the last year or two with rather larger increases in the public services.

The outlook for prices depends not only on the next pay round but also on whether local authorities and public corporations increase their rates and charges by more than expected in response to public spending cuts. In contrast, it is possible that a slowdown in the main world economies will result in a less buoyant level of non-oil commodity prices. There already are signs of this.



Trade figures

In these circumstances the expected continuing strength of sterling could have a bigger impact in preventing any repetition of the runaway inflation of 1974-1975. But the risks have certainly increased in the last couple of months. Even on the Treasury's assumptions the 12-month rate retail price inflation is still expected to be 13½ per cent in the late summer of next year when the price effects of the Budget no longer will affect the comparison. That is the gloomiest part of the forecasts.

Even if the underlying rate of inflation does not accelerate, a lot of damage has already been done. The Bank pointed out last week that most, if not all, of the competitive advantage for British goods gained during 1976 has now been reversed, according to the widely accepted yardstick of relative labour costs. This influences the level of export volume after a time lag, though the impact on imports may be more rapid.

The trade figures so far this year have been distorted by the road haulage strike and the civil servants' industrial dispute. But the net impact may have been to understate the size of the deterioration. The official view is that there may have been a slight fall in the underlying volume of exports. A deterioration of the competitive position is one obvious explanation, but in addition there has been a slowdown of the growth of British export markets. A special factor was a fall of £100m a month of sales to Iran and Nigeria.

The big switch has been in imports. Volume so far this year has been 4½ per cent higher than the average for the second half of 1978, even before allowing for under-recording caused by the civil service dispute. Some of this can be explained away by stockbuilding and purchases associated with the pre-Budget consumer boom. You have to be an ultra-pessimist to believe that a 41 per cent rise of the volume of car imports represents an underlying trend.

But after allowing for all *special factors it is clear that* the share of the domestic market taken by foreign consumer and capital goods has risen yet again, while the UK is losing its share of world export markets after holding its own for most of the period from 1974 to 1978.

All this has occurred at a time when the benefits of North Sea oil are making a big impact—thanks both to rising production and the higher oil price. The oil deficit is running at half the level of last year—a net improvement of £80m a month. The official expectation is that a further fall of the oil deficit plus some improvement of trade in other exports and imports may result in balance, or even a small surplus, on current account in the second half of this year. As the Bank recognises, this would be a "very poor" performance.

Sterling

In these circumstances the obvious question is why sterling should be so strong. This question is at the heart of the debate about the impact of North Sea oil on the British economy. Morgan Grenfell, the merchant bankers, pointed out earlier this week that official policy had turned a singular benefit into a major problem. The key is that an improvement of the oil account has to be matched by a deterioration either of the non-oil current account or of the capital account. But the Government has, until recently, not been prepared to court either a deterioration of the private capital account through an easing of exchange controls, or heavy official intervention. The result is that the burden has fallen on the non-oil current account and on the UK manufacturing sector, partly through a rise of the exchange rate.

The problem threatens to become more acute because of the speed of the improvement of the oil account this year following the rise of crude prices. The UK's relatively favoured energy position has led to a broader reappraisal of the attractions of investing in the UK. Moreover, UK interest rates have to be kept at a high level in order to sell sufficient gilt-edged stock to finance the continuing large public sector borrowing requirement and to curb the growth of the money supply. Thus UK returns are attractive compared with those abroad. The result is that in the first three months of this year there was both a surplus on capital account of £1.55bn and a *sharp rise in sterling.* Since the end of March the attractions of the UK have been even further highlighted, and an additional twist has recently been given by the weakness of the dollar.

This pressure led to renewed calls for liberalisation of exchange controls on outward capital investment since there was an obvious need, in the Bank's words, to "convert the benefits of North Sea production into durable form." The Government announced a first step towards relaxation in the Budget. The only response so far has been, perversely, to boost confidence and sterling. There may, however, be substantial outflows when companies and individuals have had time to adjust to the changes. In any event, the scale of the relaxation so far is unlikely to be sufficient to match the North Sea build-up. The alternative of significant intervention to hold down the exchange rates is likely to be ruled out since it might, as in 1977, undermine control over the domestic money supply as a result of large inflows.

There could still be falls in sterling as profits are taken on the increase in value of short term deposits left in London in recent weeks. But the underlying pressures are likely to remain upwards unless there is a dramatic change of policy or of relative interest rates; the benefits from North Sea oil are still rising sharply. While industry is already feeling the impact, consumers cannot escape the consequences of a high rate of inflation and falling competitiveness for ever. North Sea oil is after all a finite resource.

MEN AND MATTERS

Who wants Amin for £25,000?

Idi Amin, who has dropped remarkably out of view in the past month, is trying to sell his story to the highest bidder. I gather that the ousted Ugandan dictator has £25,000 in mind.

Interested parties will have to make their way to Baghdad, where Amin is holed up with members of his large family. They recently joined him from Libya.

Feelers are being put out in London to sell a long, exclusive interview. Acting as a go-between is an Asian businessman, born in East Africa. Also concerned are Ali Osman, erstwhile Ugandan ambassador at the United Nations, and a European who had an involvement in setting up Amin's "whisky run" from Stansted airport.

How long Amin will stay in Iraq is uncertain. He is probably safer there than anywhere else from the many people who have scores to settle with him. But his Arab friends would like him to go home and start a guerrilla war, with the aid of his remaining followers, now loitering in the southern Sudan.

One in the eye

The seemingly endless war of words between Sir James Goldsmith and Private Eye has become a familiar divertissement on the legal and journalistic scene. In the most recent libel action involving the Greek Street fortnightly, Sir James said it was loathsome and "poisonous." So it may surprise him, and sundry other aggrieved members of the Establishment (such as Lord Goodman and Jeremy Thorpe, to name but two) that in some quarters the magazine is considered to be a lackey of Conservatism.

According to News Line, the daily paper of Vanessa Redgrave's Workers' Revolutionary Party, the object of Goldsmith's rage is a "Tory sewer." As an editorial spells it out, Private Eye is a "rabidly anti-socialist" collection of smut written to entertain "every reactionary in the Tory Party, the City of London and the officers' mess."

Since this standard of invective makes Goldsmith's own efforts seem like a cup of cold Marmite, I urge him to look no further than News Line when he starts hiring leader-writers for *his forthcoming* weekly journal.

Vanishing trick

The battle by KCA International and Eurocanadian Shipholdings for influence over Furness Withy has been dour, to say the least. But for alert FW shareholders there was a wryly amusing element in the proceedings at the weekend.

Frank Narby, chief executive of Eurocanadian Shipholdings, yesterday published an advertisement reproducing his open letter to FW shareholders. Three days earlier he had despatched this letter to the shareholders.

But diligent readers will have discerned a fascinating difference between the two versions.

In the original letter, Narby told shareholders whom he envisaged as the "ideal chairman" for Furness Withy. He named Keith Wickenden, 46-year-old chairman of European Ferries, whose group owns 5 per cent of FW's share. Wickenden is also Conservative MP for Dorking.

Wickenden has other ideas. On Friday he *said* he *was* "spitting blood"—strong language for a chartered accountant — at Narby's suggest that he was dissatisfied with the way Furness Withy is currently being run. He added that he was tired of having his name thrown around without his knowledge.

So yesterday's advertisement, identical to the letter in every other respect, has dropped out the name of Wickenden. There is merely the cryptic statement that "we have already indicated publicly the sort of man, we believe would make a proper chairman for FW. We believe you should in due course seek such a chairman."

Shareholders should presumably keep in mind as suitable candidates only Conservative MPs, who are directors of *major football* clubs, not unconnected with Brighton and Hove Albion, and happen to be chairmen of cross channel ferry companies.

Bolting it up

"Ray," says David Sinigaglia, Airfix Industries' new group managing director, "is going to be Meccano's last managing director . . . I mean that in a positive sense."

Things do at least look a little rosy for Ray McNeice, 45, the eighth man in as many years charged with halting Meccano's annual losses of well over £1m. (The nuts-and-bolts toy company, also makers of Dinky cars, has been in constant trouble since Airfix salvaged it from the wreckage of Lines Brothers at the end of 1971.) McNeice, the latest white hope, has won a temporary breathing space—the 922-strong workforce has agreed to a six-month moratorium on industrial action. "I asked for it and I got it," he tells me, in a mildly surprised tone.

One of his advantages is that when he started work for Airfix 22 years ago it was on the shop-floor—as an apprentice making plastic buckets. "But people will only trust a new governor for so long, even if he has worked a machine," admits McNeice.

Until a few weeks ago, he was managing Crayonne, one of the most successful territories in the Airfix empire. Any optimism he feels now is based on the renewed demand for quality toys—a demand which has put old sets of Meccano, and battered Dinky toys, into the window of antique shops. (New ranges of both products are about to be launched, and he thinks they have a built-in asset in their famous brand names.)

The going is not, however, going to be easy: "When you analyse it," says McNeice good-humouredly, "there were seven managing directors before me who were all successful in their previous jobs. One of them might have been an idiot. But they can't all have been idiots."

Pop power

A colleague commuting to work last week from south of the Thames found himself in a carriage filled with German schoolchildren holding guide-books to London. As the train crossed the river there was a sudden rush to the windows, from which Battersea power station was visible. The conversation was enthusiastic.

Has the venerable power station become a subject of architectural interest? My perplexed colleague at last caught the drift of the conversation. The Battersea plant appears on the sleeve of a Pink Floyd long-playing album. (For information, although the group is now rather old hat here, it still makes the charts on the Continent.)

Observer

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FINANCIAL TIMES SURVEY

Monday June 23 1979

UNITED ARAB EMIRATES

A new balance, based on compromise between Abu Dhabi and Dubai, is needed urgently if the federation between the states is to evolve and the traditional system withstand future challenges. A central bank, more economic co-ordination and an immigration policy are needed too. Higher oil prices will have little impact on sluggish business conditions.

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hard Johns,
East Editor

NIQUE and strange entity, the United Emirates, has now the most critical point ory that has spanned t uncertain but, on positive years during has established an f its own and its place gion. Under external ernal pressure the ave been forced to he structure and work- their loose and dis- ederation.

on April 30 this year heikh Zayed, the of the UAE and Ruler habi, gave a mandate h Rashid, Ruler of form a new govern- should be an expres- new order. But even go it remained to be ther he could devise a framework better able to reconcile unity and diversity.

It was with some misgivings and under pressure from more powerful neighbours in the Gulf that the seven decided, in 1971, to join forces. They did so, basically, because union seemed the best way of ensuring the survival of their traditional regimes.

Ever since, the nature and evolution of the UAE has been such as to defy the question whether it is more of a confederation or a federation. Over the years six of the Rulers, with rivalries rooted deep in history, have tried to preserve as much sovereignty as possible in the face of the extension of the Federal Government's authority and the corresponding influence of its paymaster Sheikh Zayed, the President of the UAE and the Ruler of Abu Dhabi—while also availing themselves of and appreciating the benefits of the union.

But the difficulties of creating a harmonious system have been such that the UAE is still governed by a provisional constitution.

Nevertheless, there has been a steady, though halting, trend towards greater unification. The poorer Emirates have had little choice but to accept the growth of central authority. But distortions, contradictions and, over the past year or so almost complete stagnation in the UAE's evolution have been caused by the fact that Sheikh Rashid of Dubai has had the means through his own petroleum revenues, as well as the will and determination, to maximise the freedom of action for his free-wheeling commercial entrepot.

He has not contributed to the common budget and objects to the way in which the union has developed.

Two other important factors baulking what has been a trial-and-error political experiment have been Sharjah's traditional jealously of neighbouring Dubai and the lack of loyalty of Sheikh Saqr of Ras al Khaimah to the federal concept. Optimistic of striking oil, he originally opted out of the UAE and joined only when his hopes were disappointed.

Just as in 1971 self-preservation was the main motive for union, it is even more imperative for the Emirates to agree more specifically on what kind of union and relationship they want. The Rulers had no particular love of the Shah but his presence was a reassuring one. The UAE and its privileged citizenry, who cannot count much more than 200,000 out of a population of nearly 900,000, felt shaken by his overthrow.

The possible repercussions of the upheaval, especially in Oman, and the Marxist threat to the Gulf have put a greater premium than ever on effective unity. Achieving it is also a matter of acute concern to Saudi Arabia and Kuwait whose Foreign Minister, Sheikh Sabah al Ahmed al Jaber al Sabah, mediated to pave the way for Sheikh Rashid's mandate.

Articulate

Meanwhile, there have been growing pressures within the UAE from a politically articulate younger generation for greater unification. They were expressed forcefully in the memorandum prepared by the 40-member Federal National Council, an advisory body whose members ironically are appointed by the Rulers, to the Supreme Council in March.

The fact that the highest authority in the UAE, grouping the seven Rulers, had not met for 18 months showed how aimlessly the federal ship had been drifting.

Submission of the document must be seen as one of the most important events in the UAE's short history. Significantly, for progressive "technocratic" ministers in the last Government are understood to have helped write it.

The most significant of its points, perhaps, were the demands for complete integration of the Armed Forces and distribution of wealth, as well as accountability for it, and complaints about the lack of a permanent constitution and the last Government's failure to pass badly-needed legislation such as the draft statute aimed at establishing a Central Bank and a law on immigration.

Mr. Tayram Omran, the Sharjan who is Speaker of the FNC, and others have gone further by asking why there should be no direct elections. One suggestion of the UAE's "young Turks" is that the Rulers should choose 100 candidates who should in turn elect six to represent their Emirate.

The memorandum prompted marches throughout the UAE of young federalists. Sheikh Rashid and Sheikh Saqr of Ras al Khaimah then accused the president of organising them.

In response to the memorandum the Ruler of Dubai isued his own, accusing Sheikh Zayed of acting in an unconstitutional manner. Subsequently, there were demonstrations in Ras al Khaimah against the way in which Sheikh Saqr runs his Emirie, where the civil servants had not been paid for weeks, and his hostile attitude to the federation. He was forced to recognise a 30-man negotiating committee to discuss the grievances.

The Premier of the last Government was Sheikh Maktoum bin Rashid, son of the Ruler of Dubai. He did not assert his powers, which were ill-defined anyway, because of the divisions stultifying the federation, particularly those between Abu Dhabi and Dubai.

The president might appear to have taken a bold gamble in throwing the challenge to Sheikh Rashid. However, it is a logical way of seeking a radical solution to the problems of the federation in so far as it has been Dubai's lack of co-operation and differences with Abu Dhabi that have been the main cause of paralysis.

Meetings

Happily, personal relations between the two Rulers, who little more than 30 years ago led their rival forces in an armed conflict between the two Emirates, are excellent. It was out of rational calculation rather than despair that Sheikh Zayed asked Sheikh Rashid to accept the mandate.

Moreover, twice within a week at the end of May Sheikh Rashid had amicable meetings with Sheikh Sultan of Sharjah who has been positively supporting the Ruler of Dubai's efforts to the point that he accepts that two of his subjects in the last cabinet will not be in the next one—if and when it is formed.

But the June 3 deadline for the creation of a new Cabinet passed without an announcement of its formation and the meeting of the Supreme Council scheduled to give approval was postponed, despite the sense of urgency felt by federalists within the UAE and sympathisers outside it as the debilitating long summer season sets in.

The delay indicates that the Kuwaiti Foreign Minister did less to break the deadlock than most observers had hopefully assumed.

Some cynics have suggested that Sheikh Rashid would like to let the whole issue drift because he has little self-interest in strengthening the Federation apart from the general question of security. But there is little doubt of his sincerity, good faith and commitment.

His advisers say that he is prepared to hand over half his petroleum revenue to UAE Government—with the proviso that it should be kept in the Ministry of Finance account in Dubai over which he would have control.

Similarly, as long as he is satisfied with its management, Sheikh Rashid would approve the establishment of a Central Bank and allow the foreign exchange earnings of Dubai to be channelled through it.

In addition, he has committed himself to the Dubai Defence Force being integrated properly into the UAE Armed Forces and giving the central government overall responsibility for his police force, with its air wing, and his departments of education, health, electricity, water and TV services.

Burden

Financially they have become an increasing burden to Sheikh Rashid who is primarily an entrepreneur. The cynics note that if his revenues had continued to run at last year's level he would have been a net gainer, but that with this year's increments he will be paying more than he will receive from a common budget.

At the heart of the matter is the dispute over the nature of the Federal Government. Sheikh Zayed, who has funded it, wants it to be strong and centralised. More at ease hunting bustards with his hawks and talking with his tribesmen in the Liwa Oasis, he has no inclination to administer or read balance sheets (even if he could understand them).

He has not been concerned about the creation of a fat, inefficient central bureaucracy, now numbering nearly 32,000, mostly expatriate Arabs, whose rent payments enrich Abu Dhabi's landlords and distribute revenue.

Sheikh Rashid wants not only to reduce the number on the civil service pay-roll, but also to stop wastage, delay and corruption so that more money is spent more effectively. Perhaps the most vital aspect of his approach to the problem would be to decentralise the Federal Government, giving more power to individual Emirates to supervise its administration in their own territory.

Sheikh Rashid objects to the central authority's inclination to impose bureaucratic restrictions on commerce and its notions about trying to control growth restraints on spending.

He and Sheikh Zayed must decide to what extent there should be representation of individual Emirates. There is also the question of the debts of Sharjah and Ras al Khaimah. The Ruler of Dubai would be against bailing them out from federal funds but might not object if Sheikh Zayed continued giving subventions to the other Emirates as he has to Sharjah to ease its plight.

In the medium-term, the great danger lies in the fact that any compromise acceptable to the leading figures of the UAE would not necessarily be welcomed by the young nationalists, because Sheikh Rashid's proposals would tend to strengthen local autonomy if implemented.

With the rise of a youthful federal political consciousness the main threat to the dynastic Rulers is the backlash that could be created by bickering among themselves.

THE ECONOMY

Coherent policy needed

AS AN economy, as much as a political entity, the United Arab Emirates (UAE) is distinguished more by its differences and disparities than by its common denominators. Integration has been slowed by those same obstacles, psychological and historic, that have held up the evolution of a more coherent Federation. Conversely, open borders and a customs union have not, like the Zollverein in Germany in the last century, had much effect in over-coming dynastic inhibitions against more coherent unity and co-ordination.

Where finance has been available, dynastic rivalries—as well as unjustifiably high expectations aroused in the boom following the oil price explosion in 1973-74—has continued to lead to a wasteful duplication of projects undertaken by individual Emirs and private entrepreneurs, some of whom are now rueing their investments. Lacking the power, status and respect given to central banks elsewhere, the UAE Currency Board is still not in a position to restrain undisciplined growth in the private sector; that, as it happens, ground to a halt two years ago because of its own excesses.

With a petroleum revenue only the fifth the size of Abu Dhabi's but led by a shrewd businessman Ruler and a far more dynamic merchant community Dubai has been able to resist the assertion of economic and financial hegemony by the richest State. In the other Emirates the spending of the Federal Government primed by Abu Dhabi's oil revenues has gone some way to spread around the wealth.

Generalisation, however, remains very difficult in a Federation where, for instance, Abu Dhabi is reckoned by the economists in the Ministry of Planning to account for over 50 per cent of gross fixed capital formation, while less than 5 per cent is attributed to Umm al Qiwainm, Ajman and Fujairah—the three smallest and poorest microcosms in the union—whose collective indigenous population is not very much less.

With greater traditions and pretensions to maintain, Sharjah and Ras al Khaimah have done their best to compete. In the process they have ended up with greatly enhanced, but under-utilised amenities and heavy debts that have thrown them at the mercy of Abu Dhabi. New loans now being placed on the market for Dubai will make its total liabilities incurred for ambitious projects rise to about $2.7bn, but with its modest oil output holding up well and the rise in prices this year the international banking community is satisfied with its credit-worthiness even if some of the Emirates' developments look like loss-makers. In contrast to them all Abu Dhabi should by the end of this year have accumulated reserves invested abroad of $11-12bn.

Whatever the imbalances and distortions the UAE, taken as a whole, has experienced what must have been a more rapid growth than any other political entity in modern times and in the process undergone an unprecedented demographic change. It is calculated that at current prices Gross Domestic Product (GDP) rose from the equivalent of $1.66bn in 1972 to $13.9bn last year. In real terms the economy would have grown four-fold. Per capita income was calculated to have reached $15,800 last year.

Since 1972 the population will have roughly tripled to the officially estimated figure of 877,340 in 1978 of whom less than a quarter are citizens, and make up only 15-20 per cent of manpower. The remittances of foreign workers probably recycled on the debit side of the balance of payments may amount to 20 per cent of export receipts from oil that were slightly in excess of $8bn in 1978.

Although petroleum had accounted for nearly 90 per cent of revenue last year and similar proportion of exports its share of GDP was estimated to have fallen to 57 per cent in 1978 compared with 80 per cent in 1974 (the year in which the full impact of the escalation in oil prices was first felt), according to the Ministry of Planning's calculations. In real terms non-oil GDP increased annually by about 25 per cent from 1972 to 1976, was stagnant in 1977 and would have fallen by 14-15 per cent last year.

In the earlier period the construction sector grew fastest tripling its share of non-GDP to establish the quarter share that it still holds. That expansion reflected the rudimentary base and the influx of expatriates required for the UAE's rapid development. The sector's behaviour also accounts for the stagnation and recession in the private sector experienced of the past two years from which the UAE is only now showing signs of recovery.

BALANCE OF PAYMENTS
($bn)

	1975	1976	1977	1978
1. CURRENT				(est.)
Exports (f.o.b.)	7.5	9.1	10.2	9.9
(Crude oil)	(6.8)	(8.3)	(9.2)	(8.7)
Imports (f.o.b.)	−2.3	−2.8	−4.1	−4.5
Services, transfers (net)	−1.3	−1.7	−2.0	−1.8
Current balance	3.9	4.6	4.1	3.6
2. CAPITAL				
Official transfers & capital	−1.0	−1.1	−1.0	—
Oil sector and capital transfers	−0.3	0.1	—	—
Other private capital and errors and omissions	−1.1	−1.2	−2.7	—
Overall balance	1.5	2.5	0.4	—
3. FINANCING				
Banking system (net)	−1.5	−2.5	3.3	—
(Currency Board net)	(−0.5)	(−1.0)	(1.4)	—
(Commercial Banks net)	(−0.5)	(−0.3)	(1.9)	—
Abu Dhabi Government	−0.5	−1.2	−3.7	—

REVENUE AND EXPENDITURE
(millions of UAE dirhams)

	1975	1976	1977	1978
Revenue	23,765	30,410	33,555	33,133
(Oil)	(21,961)	(28,375)	(30,481)	(28,833)
Expenditure	16,327	19,577	26,830	31,800
(Development)	(7,233)	(8,678)	(13,442)	(17,000)
Overall Surplus	7,438	10,833	6,725	1,337

Recession

Businessmen and bankers question whether the terms recession and stagnation are appropriate to the experience of the UAE over the past two years. They should be seen in relation to the boom that peaked in 1976 in a frenzy of speculative building that has left the Federation with its biggest short-term economic problem in the form of unlet property and a high proportion of bank credit tied up in such investment. As the Currency Board put it, there was "an over-estimation of the size of local markets and the future rate of expansion for goods and services."

It remains true of the UAE, as of any other of the producing States of the region, that the spending of oil revenues is the key to the rate of economic activity. But what should have been regarded as a cooling-off of an over-heated economy — which had the salutary effect of burning many fingers—had nothing to do with the 13 per cent decline of Abu Dhabi's oil revenues last year as such.

Neither shortage of finance nor any deliberate decision to curb public expenditure was a constraint. Despite lower revenues and increased outlays within the State itself, Abu Dhabi still recorded a fiscal surplus of some $1bn last year. Its own capital spending went up from Dh3.74bn to Dh5.31bn. So Dubai's rose as well.

Overall disbursements by the Federation, wholly financed by Abu Dhabi, were up from Dh6.01bn to Dh6.58bn, but the current account was more than responsible—and in particular the salaries of the civil servants who now number nearly 32,000. But development expenditure was down from Dh751m to Dh494m, reflecting both the inefficiency of the fat bureaucracy and the political crisis over its form.

The pace of economic activity has reverted to a more reasonable and sustainable rate. The expansion of money supply (currency plus demand deposits) was held steady at 10 per cent last year compared with the expansion of 80 per cent in 1976 and is being restrained at that level this year. According to official statistics inflation was reduced to 15 per cent from 25 per cent in 1977 and 35 per cent in 1976. In a very tight money situation that has left the liquidity of the banks dangerously low the increase in bank credit to the private sector was down 21 per cent compared with 50 per cent in 1977 and 84 per cent in 1976.

Even if reduced, however, the rate of economic activity is still remarkably high, especially when judged by imports which per capita are believed the highest in the world. (Last year UK exports worth £435m, up 68 per cent on 1977, exceeded those to the Soviet Union.) According to a report by the Ministry of Commerce they rose 20 per cent last year to Dh20.5bn ($5.33 bn), a slight decline on the 25 per cent growth in 1977. There is an apparent discrepancy between them and the published returns of Abu Dhabi and Dubai but it may be accounted for by Sharjah's success in luring business from the latter.

Those of Dubai were only marginally up at Dh 12bn (about $3.12bn), a fall in real terms that was attributed to the down-turn in construction while its re-exports to customers outside the UAE were up by 20 per cent to Dh 1.8bn. Abu Dhabi reported an increase of 16 per cent to Dh 6.3bn with a shift towards capital goods.

While the private sector construction remains in a trough and Dubai's spending on large projects will peak next year, the concentration will be more and more on large public sector projects associated with Abu Dhabi's development of its hydrocarbon resources and industries based on them. The extent of its industrialisation has not yet been decided and is likely to be a subject of debate — probably misgivings also if some of the schemes that have been under study, like a steel plant, come to fruition. For the future, however, the centre of gravity has moved decisively to where the real money is.

The evidence and feelings are that business is picking up in general but in a very competitive market the tendency of Abu Dhabi, Dubai and Sharjah to restrict the activity of their rivals' merchants is, if anything, becoming stronger. Whatever kind of Federal Government evolves, the prospect is that prosperity will concentrate as heavily in Abu Dhabi and Dubai as it has in the past rather than being distributed northwards.

Meanwhile, the failure of Abu Dhabi and the Federation to evolve any immigration policy looks likely to remain a major stumbling block to the evolution of any serious planning on a national scale. The outcome of the mandate of Sheikh Rashid, Ruler of Dubai, to form a Government may not be known for some time. But it is hard to see him accepting the concept of central planning nor for that matter co-operating in laying down guidelines for immigration.

From the standpoint of the disjointed UAE economy, however, there are more immediate problems, with grave political implications, whose resolution must depend on the future agreement on the future orientation that the UAE should take. Not the least of them is to free the credit tied up in property by a banking system is still intrinsically unsound despite the measures taken two years ago to strengthen the Currency Board following the closure of two of the institutions operating there.

Published consolidated banking figures certainly understate the exposure which Mr. Abdul Malik al Hamar, managing director of the UAE Currency Board, estimates at Dh 4-5bn but may be as much as Dh 7bn with Abu Dhabi entrepreneurs having the heaviest liabilities followed by those of Sharjah. Many are having acute difficulties in paying interest rates of 14 per cent or more advanced against unsecured property.

The wisdom of bailing out the imprudent may be questioned, but in the UAE the banking system could be at stake. As it was, Sheikh Zayed, President of the UAE and Ruler of Abu Dhabi, issued a decree last December establishing a national Real Estate Bank. The intention was that it would take over outstanding liabilities in respect of property and allow repayment over a period 10-15 years at interest rates of 2-4 per cent.

It has still not materialised. One reason appears to be indecision over whether all borrowers should be rescued. Finding the staff to administer such an institution is a difficulty. In addition Sheikh Zayed may be reluctant, in the absence of a settlement of the federal structure, to use Abu Dhabi's money to save debtors in other Emirates.

Liabilities

More serious are the liabilities of Ras al Khaimah and Sharjah. Those of Ras al Khaimah are estimated at about $500m including loans extended from the Currency Board believed to account for about two-thirds of the total that effectively have been written off. At present the security of finance made available by foreign banks is very much at risk. In the long term, payment delays to contractors, som of whom must be doubtful whether they will ever receive the money due to them, could put the credibility of the UAE as a whole in question.

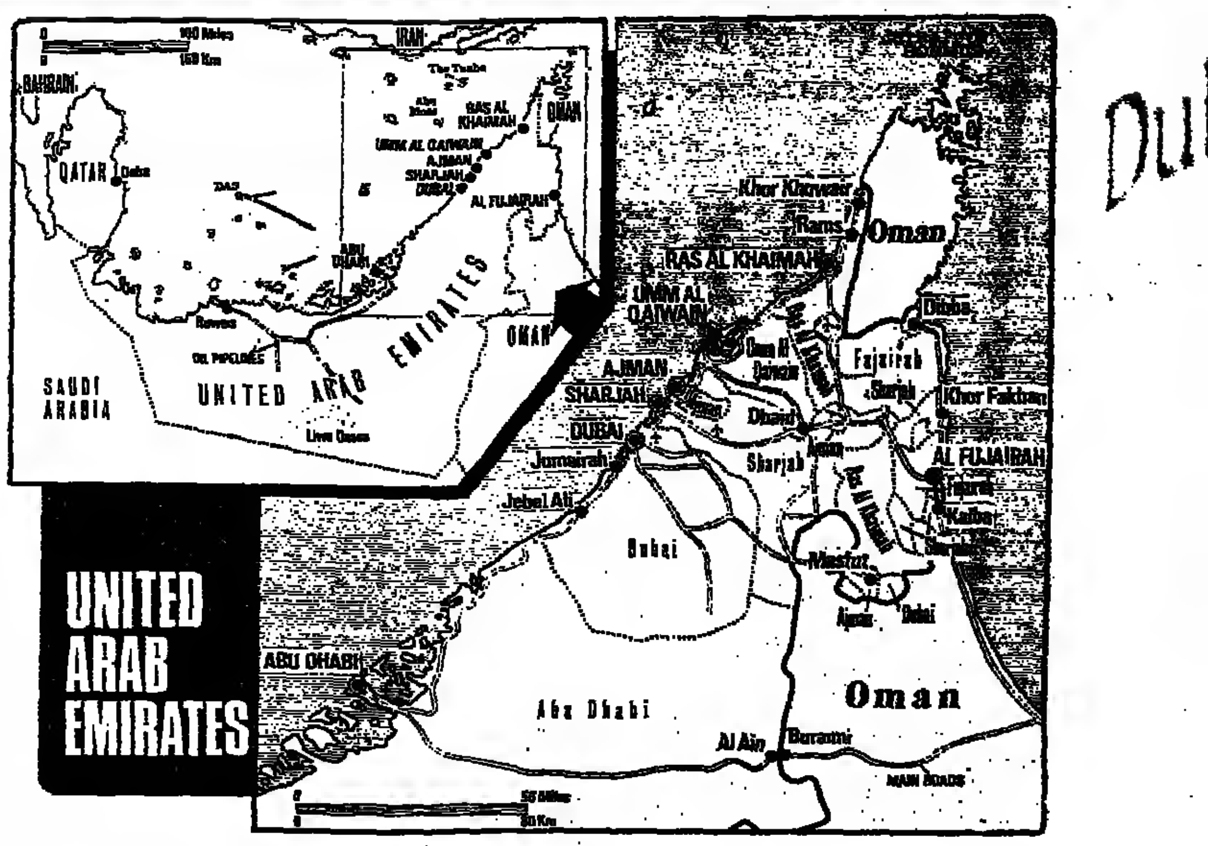
Less disquieting is the position of Sharjah even though its debts are about twice as large. They would include some Dh 500m lent by Currency Board in 1976-7. Much of Sharjah's other credit has been obtained against projects and its $200m outstanding Euro-dollar loan is backed by Abu Dhabi.

Most vital of all if the UAE is to become a plausible and viable economic unit is the enactment of the draft legislation for the creation of a central bank and the willingness of the Emirates to channel through it their foreign exchange receipts. Without proper powers of credit control or necessary political backing it is something of a wonder that the Currency Board—dismissed contemptuously by bankers as "little money shop"—has been able to maintain any order in the world's most over-banked system.

Even more miraculously, it has been able to keep the dirham stable despite being starved of foreign exchange by Abu Dhabi as well as Dubai and Sharjah. The Currency Board has been able to fulfil its obligation of covering with foreign exchange 70 per cent of the note issue and demand deposits—but little more. But as it complained impotently in its last report, its holdings "must be seen not only in terms of the legal cover requirement but also the level of imports and other foreign exchange requirements of the system arising from remittances, travel expenses, and the like."

In the meantime, as deposits have stagnated, there has been a sizeable outflow of capital indicating a lack of confidence in the banking system. Marginal increases in interest rates on dirham deposits have not been sufficient to attract back funds which can earn more if placed abroad in dollars. Consequently, the banks' foreign liabilities have risen faster than foreign assets—an ironic phenomenon in a Federation that is classed as a surplus State.

Richard Johns



PLANNING

Conveying the message

BUILDING A country from scratch is a long affair but with remarkable speed the United Arab Emirates (UAE) has completed a basic network of roads, telephones, ports, airports and the rest of the framework on which a modern society and its economy rely.

What might be called the "social infrastructure" — hospitals, schools and housing—is being finished. Such institutional buildings are completed in quantity rather than quality, however, because of a serious bottleneck in developing human resources. The small indigenous population and absence of an immigration policy means that it is impossible to anticipate the fluctuations of demand for community services. Refusal by local Rulers properly to co-ordinate economic plans means communities can mushroom around a project site almost willy-nilly.

The problem is understood by the Ministry of Planning, which wants the country to accept a Five-year Development Plan starting in 1981. A strong proposal for one was made to the Cabinet and earlier this year passed to the Supreme Council for consideration. Privately the members have agreed in principle to the idea and it is understood that this decision is not affected by whatever Sheikh Rashid as Prime Minister may decide.

It is a major achievement to have linked all but a few desert communities to a network of modern roads throughout the UAE. A villager in northern Fujairah can drive to an airport and be in London in the same time it used to take to drive half-way to the Emirate's capital. The embarrassment of riches in ports and airports in no way detracts from the success of an excellent road grid. Only the villages of the Liwa Oasis in southern Abu Dhabi are not connected by paved roads. They will be completed in the not too distant future. Water, electricity and telephones are also supplied virtually as demand requires.

But there are other problems that have to be urgently tackled. Some Emirates like Ajman lack a sewerage system. Sharjah has adequate electricity generating capacity but no proper local grid. Water pressures fluctuate wildly. Ras al Khaimah, which boasts its own earth satellite station and has not joined Emirtel, the national phone company, has direct dial phones to Europe but not to the rest of the UAE. The UAE badly needs a centralised system for water supply and electricity but the distribution facilities in each Emirate would be unable to bear the strain if grids were introduced.

Nightmares

The Federal planners' nightmares are the giant industrial complexes like Abu Dhabi's Ruwais and Dubai's Jebel Ali which have been developed without reference to any co-ordinated strategy for the union as a whole. In one year Jebel Ali village has arisen from the desert like a Gulf version of Surbiton-by-the-sea. It is self-contained, with swimming pools and shops, and its expatriate constructors, technicians and industrialists have even created their own marina in the partly completed harbour. Its hard to know from one year to the next how many will be living where and needing what.

The massive building programme for hospitals, schools and housing is well underway though progress towards completion has highlighted the population problem. Mr. Said al Ghobash, Minister of Planning, explained: "How can we plan for education or health when the federal government doesn't even know how many engineers or students will be generated by Abu Dhabi's projects?" This is complicated by the failure of the Federal Government to address itself to the question of "planning for whom?" For every labourer imported into the UAE for a building or factory project it requires five people to serve him. This creates the inescapable circle of importing people to serve people who are building the economy of the State for a tiny minority of nationals.

No planning is possible until the UAE is politically cohesive enough to formulate a population policy. Two hundred thousand or so nationals will never be enough for the social economy that UAE wants to construct. There is no population policy because of the lack of political development in the Federation. This is the development bottleneck of 1979. A demand for a comprehensive development strategy was one of the points of the joint memorandum of the federal national council and council of ministers in February 1979 which is discussed elsewhere in this survey in the political context.

The Ministry of Planning under Mr. Ghobash may have come up against a brick wall because of the lack of political maturity but in his two-year tenure a planning vehicle has been built. He believes that the statistical and technical base which he has developed is ready for use whenever political conditions are right, with or without his continuation in office.

Asked what his Ministry had achieved, he replied: "The main objective was to push for a comprehensive five-year plan. Everything of the last two years has led to this. We have done all the preparation in field studies, sector studies and regional papers leading to the proposal submitted to the Supreme Council. From our side we did our job. We are ready to produce a plan even as a theoretical exercise."

Included in the proposal was a demand that a National Planning Committee be set up, chaired by the Prime Minister and including a number of Ministers plus individuals from each Emirate involved in planning and economic administration. This is significant in a country where key posts tend to be given as a reward for eminence as a sheikh rather than for individual abilities. Only with such co-ordination does Mr. Ghobash believe there is any hope of meeting the development challenge which until now has been hampered by duplication of projects, petty rivalries and an obsession with prestige.

Members of the Supreme Council have apparently accepted the idea in principle of a comprehensive planning strategy for the UAE. Whether they are aware as individuals of the economic, social and political dimensions is a moot point. Planning leads directly to a dilution of Rulers' power. It means proper budgeting and accountability of how money is spent. Acceptance of comprehensive planning could be interpreted as acceptance of the failure of the sheikhly system to meet the needs of the country.

The planning strategy which Mr. Khobash has in mind is based on the premise that producing more oil can only be justified if it results in the creation of other renewable sources of income in the future. There are four elements in his thinking. They are: adoption of a balanced sectoral approach with growth of productive and human resources, the provision of social services and development of infrastructure; investment in an economic structure which would be viable when the oil has been used up; avoidance of duplication; and diversification away from oil and petrochemicals to manufacturing industries based on proper technical feasibility studies.

With these aims in mind the Five-Year Plan which the Ministry hopes it will be asked to compile for 1981-85 would diversify from oil dependence; develop capital-intensive and not labour-intensive industry; design education and training to meet the needs of the socio-economic programme; encourage the private sector.

Michael Tingay

Advertisement

Beyond Oil

Dubai's 'Industrial Revolution' points the way

It is no accident that Dubai is leading the way in a policy of alternative development to oil.

Dubai is well placed to do this since it was a thriving commercial centre long before the discovery of off-shore deposits. The home of prosperous merchants, Dubai alone, was able to surmount the decline and disappearance of the pearling industry when it was faced with Japanese cultured pearls in the thirties. The Dubai merchants, whether they were dealing in pearls or gold, were a thrusting community even at a much earlier date, respected right round the Gulf and as far afield as *India.*

Oil, in any case, has not engulfed the economy as elsewhere in the Middle East. H.H. Sheikh Rashid Bin Saeed Al Maktoum, Deputy President and Prime Minister of the U.A.E. and Ruler of Dubai saw from the outset that oil would not last forever, and, as a constant preoccupation, has considered alternative routes for the economy. Keeping oil in the ground is one solution, but such static thinking has little appeal in Dubai. There were fresh generations to be considered with expectations far different from those that had obtained in the past. The country needed a diversified economic base and this, it was clear, would have to be created.

Dubai has traditionally looked to trade and to the sea. These, therefore had to be the point of departure for industrial expansion. First, there would have to be a deep water port of huge capacity, the relevant industries that could make as much use as possible of raw materials that existed locally or could be economically brought in. From these and other simple expedients, concepts of the industrial future began to arise. The great Jebel Ali project was born.

ut of the virgin sand—a year ahead of schedule

20, 1979, at Quay 10, ll Port, the Nichigaku gan unloading cement To the captain and the Japanese ship this e routine, hut for Dubai b of the business world, atoric.

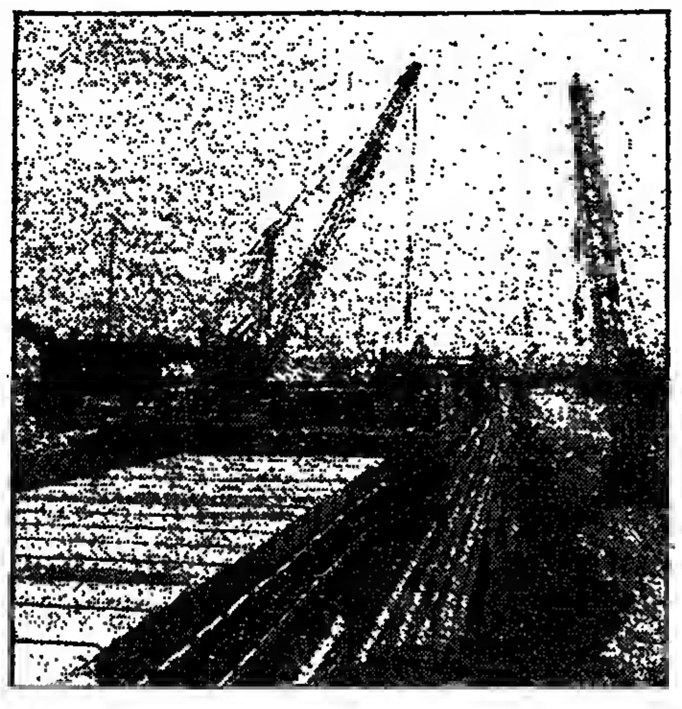
Ali Port, deep water and centrepiece of the lion dollar Jebel Ali was in operation.

moreover, in operation head of schedule. This o, in business circles w York to Tokyo, as confirmation of the ehind what analysts led: 'the world's most s industrial under-

ct that Dubai's induson is taking place from nd upwards, gives it nique characteristics mong these is that od practice can be put here as nowhere else. sheet of paper poses and excitement. topography, selection aterials, choice of what, produced, the interof trade, industry and industrial technology can be harmonised together and a balance struck.

Energy, perhaps the most vital constituent of the whole plan, serves as an example. At Jebel Ali this is to be drawn from several sources, mostly offshore in the shape of natural gas. Broken down into liquid form at the gas liquefaction plant close to Jebel Ali Port, the gas becomes liquid Propane, Butane and 'Wild Petrol' all to be re-exported as commercial products while the Methane fraction gases that are left will be passed on for use at the Jebel Ali Aluminium Smelter. In their turn they will provide energy for aluminium production and for the desalination plant that is an integral part of it.

So the chain continues; raw materials from near at hand being brought into the industrial mix and joining others from sources half across the world. What results is re-exported in the form of finished products so that a complex web of commerce and industry is created with Jebel Ali at its centre.



The Nichigoku Moru unloading at Quoy 10

Before, during and after oil.—Dubai

i is known to have existed as a fishing and pearling ity for hundreds of years. From the beginning graphical position seems to have worked to its e. We already see the shape of modern Dubai around the turn of the century when merchants Persian port of Lingeh moved to Dubai to avoid its oms duties. Others followed, attracted by the freedom ht and action enjoyed by the citizens of Dubai, as well ositive trading outlook of the Ruler. Dubai began to as the major commercial centre of the Gulf and became ished part of the sea routes to India and the Far East. i today, a place of glittering buildings and roads that d thrust through tunnels and over bridges nevertheless, rs the marks of its mercantile past; the graceful wind or example, adjuncts of a settled and prosperous com*which made Dubai famous for shrewd and honest trading* ore there was any thought of oil.

when oil did come, it was not in all-obliterating s. Even today, Dubai does not claim to be more than the oil-exporting leagues of the Gulf. Viewed from erefore, oil has never been seen as such a huge bonanza. er to say that it has fitted into a thrifty and prudent ping as a welcome addition, but without changing that ping out of all recognition.

if there had been no oil, it is perfectly possible that the s, now rising out of the desert at Jebel Ali (though in a modified form) would have arisen anyway.

The merchants and administrators of Dubai have always found the means to build a sound economy whether this was pearls, shipping or transactions with third parties involving merchandise that never even touched the shores of the Gulf.

A Dubai banker, watching the first ships unloading at Jebel Ali was heard to remark: "We are looking at the future—and it works." In Dubai, the future—the inherent potential for the Sheikhdom, its people and the U.A.E. as a whole—underlies every commercial decision and government commitment.

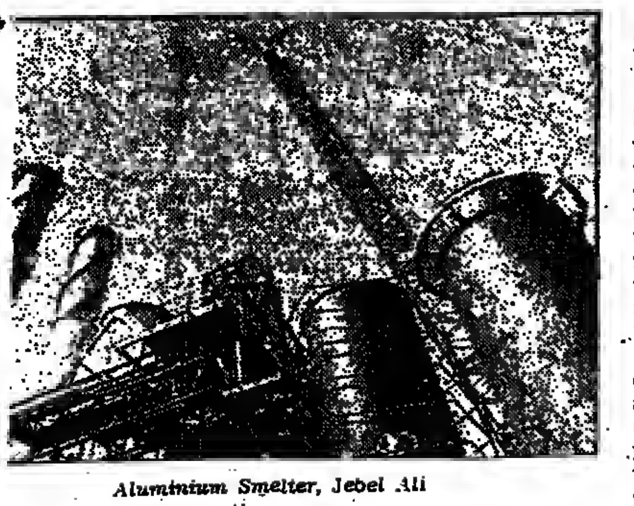
The vision of Jebel Ali is the vision of an economy whose spread across industry, business and trade is wide enough to withstand the fluctuations of world markets. Dubai sees no reason why it should be in the grip of vast, impersonal forces that can wither the future of a small country. This is why an analysis of the new undertakings in Dubai and Jebel Ali in particular, *show industry being re-processed by further industry* and re-emerging as commerce.

The billion dollar Aluminium Smelter at Jebel Ali provides a good example of this: Waste heat from the gas turbines will be taken up by a linked desalination plant and used, eventually to produce as much as 45 million gallons a day of water fit to drink!

Whether it is gas, concrete or water, the principle remains the same. It is the use of high technology to make what is in the ground, in the sea—in the very fabric of the mountains—work to produce commodities that will, in turn, produce trade.

This is complex yet simple—the Dubai style in thinking, working and living.

The world as oyster



Aluminium Smelter, Jebel Ali

If you look closely at what is happening in Dubai the term "Middle East" can be seen in a new and exciting context. Dubai is truly in the middle—the middle of a world where eastern workforces interconnect with western investment, where raw materials from, say Australia, are fed into a chain of production that uses the expertise of five nations and the machinery of ten more.

An Aluminium smelter, for example, could be established almost anywhere, regardless of climatic conditions, topography, population or any of a hundred variables, provided certain vital conditions are satisfied. Briefly, these amount to: energy, supply of raw materials, an effective workforce, means to export the finished product, business confidence producing investment, a favourable commercial climate where tariffs, etc., do not constitute an obstacle, technical expertise and stable conditions in general. Dubai, sitting at the crossroads of the world, fulfills all these demands to perfection.

The business planners of Dubai have taken the world of instant communications and interlocking economies as it exists and—there is no better way of expressing it—made that world their oyster!

Flag day in Dubai

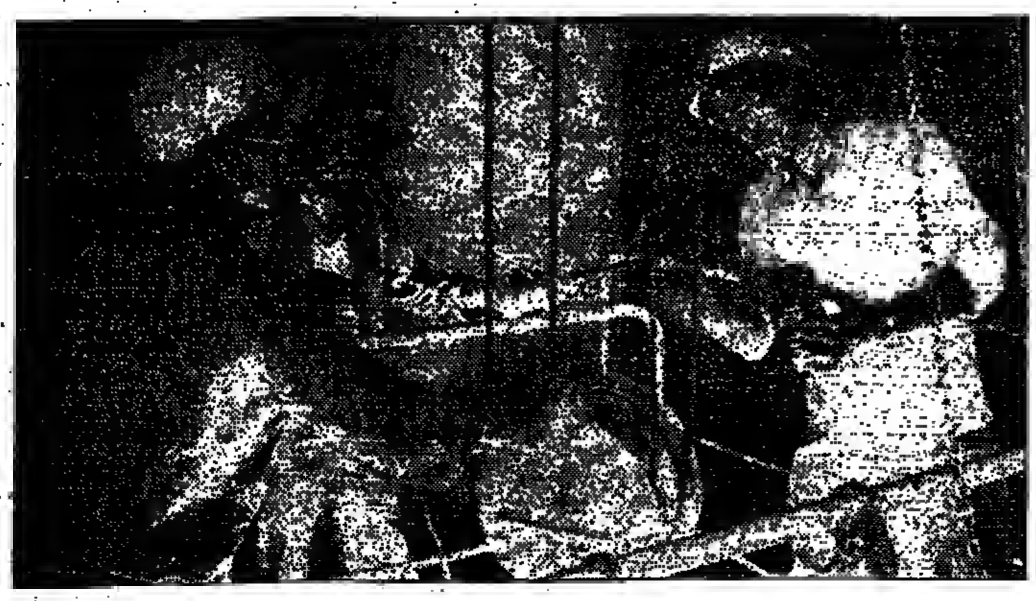
the foreign nationals in Dubai were to pick to display the flags of espective countries, a thout international co-n would be neatly trated.

ebel Ali it would be ore telling. The com-interested in establishemselves or already hed as part of the New ialisation read like a Who of international s and industry. They Tube Investments, Oxygen, Rothmans, Explosives and many

dy in operation are: nd Bridge, BICC Interl and Norcem in n to the almost endless organisations from all of the world which are d in the actual ction...

nership with Dubai ts also exists on a large Cleveland Bridge is in rship with A. W. ri in building a steel tion plant.

Dubai National Cement ny is already producing ons of cement per day. International, in a joint e with the Ruler himself, has formed a company, Ducab, which will produce housewiring and power cables.



Workers at the Container Terminal

Overall, ultimate supervision and responsibility for the vast undertaking is firmly with Dubai. And it is all managed in a simple, unspectacular way. The offices where decisions involving millions and even billions are made, surprise one by being unassuming to a degree. Dubai supremely justifies the saying that "Big thinking is never done in big rooms." The planners and entrepreneurs of Dubai are too involved with the task in hand to bother about external trappings. It is a style that works its way through to foreigners as well. Office doors are open, conversations are brisk and to the point. This harmony that underlines all undertakings big or small, seems to be taken for granted.

Getting it together

A Financial Consultant, asked to comment on the way undertakings like the Jebel Ali project get off the ground, described something he had seen from the window of his hotel in the centre of Dubai. "The day I arrived, I noticed an open space. Not much more than a hole in the ground. Two weeks later, when I left, there was a building half completed. They were up to the second floor. . . ."

By a mysterious intensity of effort results appear faster than you would think possible. What would still be on the drawing board or merely in the mind somewhere else is already a concrete reality in Dubai.

It's like this at Jebel Ali. From the moment that Sheikh Rashid planted his walking-stick firmly in the sand and said: "Build it here" things began to happen. The speed with which they happened is a matter of record. They were able to dock Britannia at Quay Ten during the Royal visit with construction well over a year ahead of schedule.

The financing of Jebel Ali came first. Bearing in mind that Dubai, in common with the rest of the U.A.E. had been going through something of a recession following the four-fold rise in oil prices and, like the rest of the world, was not immune to inflation, it says a great deal about the confidence of international investment in Dubai that the major financing needed was accomplished smoothly and speedily. Morgan Grenfell, lead managers for the Eurodollar loan make a significant comment:

"It is a most rewarding fact that a country like Dubai which, until a few years ago, was borrowing in dribs and drabs, was able to be presented to the market as a borrower capable of taking a loan which, even in these days, is sizeable by any standards."

In fact, the financing of the Jebel Ali project is a combination of external loans, and investment from the resources of Dubai itself. This reflects the same principles of thrift and control that characterise the technological planning.

Which comes first—industry or infrastructure?

Michael Tingay, writing on infrastructure in the U.A.E. in the Finaocial Times last year said: ". . . the surplus revenue *Oil State is a new phenomenon* in the world, and it is difficult to predict its future."

It would be idle to pretend that a country, where the foreign workforce greatly outnumbers the indigenous population, does not have infrastructure problems both physical and social.

Jebel Ali has to be seen as a massive onslaught on such problems. Since, in a material sense, things are being built where nothing existed before, all must be accomplished at a single stroke. But the evidence of development complementary to Jebel Ali is plain to see. New roads have been built. Services in the shape of water supply; housing, communications, parks, afforestation, shopping centres, etc., are springing up everywhere, and in Jebel Ali itself a whole new city is planned. All this is going forward in tandem with the building of plant and factories on the industrial sites and at the deep water port.

In human terms, the chief need is for education and it must be said that the administration in Dubai is obsessed by it.

Jebel Ali is not conceived in terms of money and profit only—more important than these is its role in the future—the future as it concerns the ordinary citizens of the country.

To this end Dubai is planning for an almost totally urban population which will be educated to a standard as high as any in the Arab world. Dubai is not just traders, bankers and businessmen. There are the people of the desert and they are being encouraged to leave their traditional way of life which, though picturesque, is very basic, and to accept that they belong to a country in step with the twentieth century.

Housing has been provided and all the material means to develop a new life. Education, most important of all, is free, right through from junior grades to university and beyond. There is no reason why the child of nomadic parents should not, in one generation, become a key member of one of the many enterprises now starting at Jebel Ali.

Disc reflector at Jebel Ali earth station

Earth station Jebel Ali

The huge reflecting disc at the top of the hill that is the "Jebel" in Jebel Ali gives, at one glance, the clue to what is going on here. Cocked like a huge ear to its satellite partner thousands of miles out in space, it symbolises the importance of communications in every part of the undertaking. Inaugurated in 1975, the earth station took the Emirates into the space age. A decade ago there were no more than a handful of calls a day. Now it's normal if there are three thousand!

For space age executives, a grass golf course in the desert

Very little at Jebel Ali has been left unconsidered. From the start is was decided that there should be an hotel, as part of the industrial complex, that would provide luxury living and an opportunity for busy executives to relax on an unprecedented scale. This is the Hotel Jebel Ali. Now nearing completion, it will have a range of facilities that, in a single hotel, may well be unmatched anywhere in the world. Among major attractions there will be a golf course with real grass—the one and only in Arabia. Three swimming pools linked but divided, will include a children's pool, one for adults, and a high dive pool. And when you are tired of these you can leave them for the pellucid, turquoise-blue sea.

There is to be a yacht marina with shore arrangements that would look good in Cannes or Monte Carlo, and a list of acquatic activities which enthusiasts would find hard to fault.

Businessmen, whether they like it or not, have time to fill between meetings and appointments. The Jebel Ali Hotel is dedicated to this "filling" as pleasurably—and as healthily as possible.

A brand of leadership the business world accepts

There is no doubt that much of the single-minded concentration on the task in hand at Jebel Ali has started from above.

Sheikh Rashid is not a lover of committees, making decisions in a plain and practical way as they are needed. Mention his name at Jebel Ali and you will be left in no doubt that, whatever else it may be, this kind of management is popular with the men on the spot.

Sheikh Rashid takes a detailed interest in most of what goes on. He himself commissioned the building of a slipway with ultra modern lifting gear, not far from the centre of Dubai. This is something much needed in the Gulf which is crowded with small-tonnage shipping. The slipway brings virtual automation to shiprepair and hull inspection—tasks performed up to now by old fashioned and laborious methods, the potential savings in time and money for ship owners are great and they have responded by filling the slipway from the word go.

Sheikh Rashid makes no secret of his pleasure at the success of the venture, and because it has fulfilled so marked a need.

As with most of his policies, the Ruler's concept of the Dubai-Jebel Ali package is clear-cut. Government regulations are minimal and the economy is free, not in name, but in fact. The businessman, the investor and the property owner is actually helped by the state, not strangled by taxes. All is geared to profitable accomplishment — for management and workers alike.

It is a unique and inviting prospect stretching into the next century. But is there, perhaps, a tinge of regret for a way of life that is irretrievably past?

A young Dubai graduate comments on this briskly, quoting with considerable aptness: "The past is a foreign country. They do things differently there."

DEFENCE

Legions galore

THE UNITED Arab Emirates has at its disposal more armed men per bead of population than any other State in the world. If the U.S. matched its armed forces in respect of population it would have 22m soldiers and 14m police and security men.

One important function of the armed services is their socio-economic role as a modernising institution for training, employment and the building of the State. But the military is also viewed as a force which should be "pioted" eoough to hold out long enough to cry for help. Internally the defence and security forces are supposed to maintain tight domestic control to obviate any possible excuse for foreign intervention.

The State machine, however, is incapable of addressing itself to the most serious questions on defeoce, security and stability. The hardest questions include: differences between Western and UAE national interests and the distioction recently drawn int he U.S. between Middle East states and their rulers; the influence of external eveots on internal security; the role of the military as a force for change.

To serve its resident population of less than 900,000 of wbom probably less than a quarter are nationals, the UAE has 30,000 men in the army, navy and air force and 20,000 in the police and security departments. This disproportionately high figure can only be partly explained by the existence of a duplicate military force in Dubai which only now has agreed to integrate its armed forces. It is believed that Sheikh Rashid's conditions for Dubai's military integration may at ooe time have included: cutting back on Abu Dbabi's 22,000 strong force; paring the overall strength of the armed forces; rationalising the 28 different nationalities in the services; cutting down the proportion of Omanis.

Unique

The existence of so many nationalities in the army of an ethnically homogeneous country is unique. Sucb heterogeneity inevitably creates questions about ultimate loyalties. However, 70 per cent of the officers are now "local," including every brigade commander, company commander and director. The term "local" includes Omanis who used to supply 80 per ceot of manpower, though officials claim a successful recruiting drive in the Northern Emirates in the past two years which bas pushed the figure down to 40 per cent. Contract and loan officers come from Pakistan, Jordan, Egypt and Britain, while many foreign experts and technicians have taken UAE passports.

Five distinct functions can be distinguished in the Armed Forces, though not all of them are military: law and order; transportation; medical; cultural; defensive. The law-and-order role is very real in a country which has only recently been connected by modern roads and where until recently the strongest individual ruled in remote areas with no regard for central authority. Regular army outposts ensure minimum standards of authority. Transportation refers to the vital air force service ferrying men and equipment to the scores of islands which Abu Dhabi is repopulating. This massive task has been going on for the last nine years. Helicopters and military ambulances still provide a fall-back administration to handle any accidents or incidents such as snake bites in remote areas.

The cultural function is important since the Army is the single institution for discipline, training and bringing the ordinary people into the modern era. This has been an important factor throughout the Arab world, and the state-building function is no different in UAE.

The defensive job of the army is to stop a hypothetical invader for long enough for the news to emerge. This should permit UAE's allies to help. National security is seen as part of Gulf regional security, so the strategy breaks down because it depends on unco-ordinated neighbouring armies without combined intelligence. However, this "hold out" function is all that can be expected, and the authorities are delighted with the military experience gained by the troops who served in the Arab Deterrent Force in Lebanon. The UAE placed 1,000 men in Beirut for three years, rotating from all brigades except Dubai, which did not participate. They lost seven dead and 15 wounded.

The UAE acknowledges no enemies and realistically regards conventional land attack as unlikely. However, the rulers (with the possible exception of Sheikh Rashid of Dubai) believe that the forces should be well enough trained and equipped to act as a deterrent both to regular military and guerrilla attack. The unification of the armed forces agreed in 1976 has not taken place except on paper. However, there have been efforts to rotate troops to different areas, and it seems possible that Dubai will now permit the genuine unification of the forces.

The state claims six brigades under a central command now that Dubai is relinquishing its role as an independent command. These include Abu Dhabi's mechanised infantry brigade, an armoured brigade (including Rapier ground-to-air missiles and a battery of French Crotales for air defence) and an artillery corps. Tho armoured brigade bas Freoch Panhard APCs and bas received one-third of the 70 or more AMX 30 light tanks it has ordered from France.

Duhai's force consists of nne armoured regiment, nne Infantry hattalion and one rather weak artillery regiment. The air force comprises two squadrons nf Mirage 3 interceptors, one sqnadron of ageing Hunters for ground attack and support and Duhai's seven Italian Aeromacchi fighters originating in Dubai's police air wing and classified as part of a counter-insurgency squadron. Helicopters include Puma and Alouette, while Gazelles and tha heavier Westland Lynx are on order.

Navy

The air force is well trained—60 per cent of the pilots are "local" — and will keep its present equipment for 10 years. The navy is weak considering the length nf coastline, the amount of illegal immigration, and the vulnerability to sabotage of the off-shore oil rigs. The hard nose of the navy ls six Vnsper type fast patrol boats armed with 70mm guns and Exocet missiles. Six bigger Lurssen patrol boats from West Germany are on order, hnt the navy remains feeble compared to tbe land forces.

Capability against insurgency, sabotage and guerrilla attack is vital to prevent foreign intervention. The three areas of vulnerability internally are: off-shore sabotage, land guerrillas and urban terror. Despite high-qnality divers and consciousness of possible sabotage to oil rigs, the navy is simply too small to adequately protect its marine interests. The country's coastline bas traditionally offered quiet landing spots for all manner of activities. The army believes its capacities against guerrillas ln desert warfare are better than those of any allied foreign army unfamiliar with the terrain.

The UAE authorities do not see why they should be a target for attack, but they do recognise that the vulnerability of the Straits of Hormuz to terrorists is something of a myth. Experts say that although tbe Straits are shallow they could no more be blocked by a single sunken oil taoker than, say, tbe English Channel. The greatest danger is to offshore rigs and power stations.

The authorlties fail to see how serious is the threat of urban attack against the civil population. They see defence regionally but do not see the corollary that the UAE is a logical attack polnt for any attempt to destabilise the Gulf. A limited number of bombs in cities would send the rich nationals to the first aeroplane. The start of such an exodus was witnessed recently in Saudi Arabia wben hostilities hroke out in Yemen 1,000 km away.

This lack of sophistication reflectst he inexperience of the internal security service, which is still at the staga of goons hanging around botel lobbies. Until four years ago none of UAE's working Intelligence officers were nationals. There is still very little co-ordination hetween the police forces of each Emirate, and there is no central communications room let alone computer co-ordination. Dubai's special hranch, reporting directly to Sheikh Mobammed bin Rashid, UAE's Mlnister of Defence and Dubai's chief of public security, is probably a hetter political monitor than the federal intelligence system.

In contrast military intelli[gence], which has strong Jor[danian] foundations, is sophist[ic]ated enough to regard th[e] U.S. as a possible threat to th[e] sovereignty and security of th[e] UAE. It is a fact from th[e] UAE viewpoint that direct U.S. military interference is mor[e] likely than Soviet interventio[n]. Growing mistrust of U.S. inter[ven]tions has been aggravated b[y] the realisation that America[n] interests are different and eve[n] in conflict with UAE's interest[s]. The most immediate fear is c[...] overreaction in Oman by th[e] U.S. or Egypt and the deploy[...]ment of forces which woul[d] rapidly become unpopula[r]. Jordan had first hand experienc[e] of this in Dhofar. Unpopula[r] intervention could lead, it [is] feared, to the very destabilis[a]tion is it designed to prevent.

External events, over whic[h] UAE has no control, could occ[ur] in Oman or Iran. In Oman a[...] collapse of order would ha[ve] immediate repercussions in th[e] UAE where little distinction [is] made between an Omani and [a] national. The families are th[e] same, many have two passport[s] and Omanis cross back a[nd] forth as though there is [no] border. Omanis join the ar[my] and take UAE passports for [no] other reason than the DR 3,5[00] a month. Others remain Oma[ni] citizens. It would be difficu[lt] for Omanis in UAE to avo[id] taking sides in tho event [of] political conflict in their bo[rn] state.

The Iranian factor is mo[re] alarming. The UAE bas [an] estimated 100,000 nationals [of] Iranian origin, mainly Sun[ni] muslims, who are ful[ly] integrated, but Dubai has [at] least 30,000 Iranian nationa[ls] (according to local Iranian[s]) who are intimately involved [in] the political crisis in Iran. T[he] Iranian passport holders are [...] per cent Sunni and 40 per ce[nt] Shi'ite Moslems and bave alrea[dy] forgotten their unif[ied] opposition to the Shah. The[re] has been tension within t[he] community over the need [to] respond to Ayatollah Khomei[ni] over how far to press for fr[ee] celebration of holy Shi'ite da[ys] and over the proposed openi[ng] of Islamic guerrilla offices [in] the UAE.

When Ayatollah Khalkha[li], head of Iran's revolutiona[ry] tribunal, visited the UA[E] recently on the first sor[tie] abroad by a truly powerf[ul] Iranian, be addressed Irania[ns] in Dubai as bis own co[n]stituents. He did not consu[lt] the rulers before announci[ng] his intention to open offices [in the] UAE of the Fedayan-e Islam: a religious vanguard which w[ill] give revolutionary guidance [to] Shi'ite muslims. At least tw[o] of his entourage were arm[ed] Dubai merchants. If Iran sin[ks] into full-scale civil war t[he] chances are high that Irania[ns] in the UAE would be dragg[ed] into taking sides.

While the military a[nd] security machine tries [to] analyse and respond to possib[le] threats to the regime, it [is] ironic that the stronge[st] internal force for change cou[ld] turn out to be the army itse[lf]. As in any Arab country t[he] army is the leading moder[n] institution. As in any oth[er] developing country the va[st] discrepancies between rich ar[e] poor are creating pressure f[or] more equitable distribution [of] resources. If the inchoa[te] forces of democratisation co[n]tinue to build up it is difficu[lt] to imagine the army not joinin[g] in and eventually demanding [a] taking control of the nation[al] wealth as has been the case i[n] other Arab monarchies.

Michael Tinga[y]

AID

Most generous benefactor

IN A country of superlatives It is no surprise to learn that the UAE is the most generons benefactor in the world in proportion to its income. Grant and loan disbursements bave been consistently more than $1hn a year since 1974. Annnal assistance rose to $1.3bn in 1978. Total aid will he rather less than that this year.

Most of the money comes not from the UAE Government as such but from Abu Dhabi Itself which allocates almost a quarter of its GDP to assistance of various kinds.

There is a variety of reasons for this policy. Sheikh Zayed, Ruler of Abu Dhabi, is a very generous individual. And culture, tradition and religion comhine to make aid giving a natural reaction to the sudden acquisition of vast wealth.

Also, there is an awareness that only ten years ago the majority of the Emirates' inhabitants lived with hardship or abject poverty. Financial help is given to poor countries not only on humanitarian grounds but in an effort to set an example to other rich countries. There is also the pragmatic motive—the knowledge that a small country with shallow roots needs allies all over the world.

At the start aid-giving was almost arbitrary. Representatives of countries, or often their beads of state, virtually lined np to put in their requests. Sheikh Zayed received them and made grants or loans as he saw fit. But in 1973 the Abu Dbabi Fund for Arab Economic Development went into action. It concentrated on projects while the government gave aid. Advisers gradually persuaded the Ruler that development loans were usually more helpful to needy states than cash and aid was increasingly channelled through fund projects.

The fund now handles more than half of all disbursements and in addition manages a numher of government-to-government project loans. Increasingly it participates in joint loans with other institutions. Quite separately, the UAE is a major contribntor to a large number of international development organisations.

Last year, Ahu Dhabi, which contrihutes nine tenths of UAE's aid and loans, gave, lent or contributed in subscriptions $1.6bn. Ahu Dhabi's contribution amounted to more than a quarter of its budget. This year Abu Dhabi is already committed to disbursements of Db 5bn ($1.3hn) and total UAE dishursement ln 1979 will probably be little short of last year's record level.

Outflows inclnde government-to-government aid, balance of payments support, special payments by Sheikh Zayed, project disbursements of the Abu Dbabi Fund and annual payments to International funds, hanks and development organisations.

Two new elements affect this year's payments: first, the UAE'a contribution to the Baghdad Fund. Set up last year to belp Arab states npposed to President Sadat's peace treaty with Israel; and second, the Abu Dhabi fund will bave to have another Db 1bn of its authorised capital paid np to cope with a bulge in disbursements.

It might be thought tbat tbe severing of ties with Egypt would reduce the level of outflows. Egypt was, after all, one nf the largest single recipients of Sheikh Zayed's largesse. How-

CONTINUED ON NEXT PAGE

GAS

Major recovery projects

United Arab Emirates is been euphoric and it loose talk recently Federation — or more peaking Abu Dhabi — the world's third repository of natural gas e Soviet Union and has been stimulated by very earlier this year it is hoped, will be a re gas structure under hore Umm Shaif oil Preliminary indications the well drilled down) feet into the Khuff ere elsewhere in the ere have been rich as located a significant tion.

premature to say the discovery will be ay similar to Qatar's me that may possibly reserves in the region illion cubic feet, como Holland's Groningen ough the well reached level at the bottom of ture several months est results have been . At the same time been no drilling to strata on-shore.

e time being Abu proven reserves are at 20 trillion c.f. comh 910 trillion c.f. for t Union, 500 trillion Iran, 205 trillion c.f. .S., 93 trillion c.f. for abia. Those of Dubai ned to be a mere 1.6 .f. (Its gas developcovered in the article mirate itself.

ssment

e coming year there a clearer assessment ential of the structure. eantime Abu Dhabi is ahead with the exploi the associated gas that has been flared and waste. In the past has been very low— r cent in 1977 com92 per cent for Vene per cent for Libya, ent for Kuwait and ent for Iran in the year.

e coming on stream bu Dhabi Gas Liquefaction Company's plant on Das Island, performance improved considerably in 1977. Last year it was 25-30 per cent for all Abu Dhabi's oilfields.

Nearly all the associated gas from the on-shore fields is now being flared. Of the 680m c.f.d. produced in 1978 only 80m c.f.d. was utilised. Most of it for electricity generation and water desalination with a small proportion going to power gas combustion turbines for oil production purposes. (Field pressures are maintained by the injection of 1.2m b/d of highly saline water from acquifers *above* the oil reservoirs.)

Finally, however, after many years of abortive negotiations, the project for the gathering and exploitation of the whole of the hitherto wasted output is under way and scheduled for completion by 1981.

Lower petroleum production than anticipated by ADNOC's foreign partners from the offshore Umm Shaif field and technical difficulties with distribution have *meant* that ADMA-OPCO, the main marine operating group, has been unable to deliver the full amount required by ADGLC from the existing gas gathering system that was designed but has failed to satisfy its production capacity. Meanwhile, some 200m c.f.d. of gas from the Zakum field is still being flared.

Rising oil prices and shortages of crude now make the prospects for Gasco, as the on-shore gathering system with its related facilities for the production of liquid petroleum gas and natural gas liquids is called, look far more promising than two years ago when all the Abu Dhabi National Oil Company's partners in the oil operation backed out of the scheme that had been the subject of many years *of study* and *discussion*.

Last July, however, ADNOC formed and took a 68 per cent share in Abu Dhabi Gas Industries (ADGIL) with Shell (15 per cent), Compagnie Francaise des Petroles (15 per cent) and Partex (2 per cent).

Capitalised at Dh 1.6bn ($416m), its terms of reference are to build, own, maintain and operate the gas complex at Ruwais, process the associated gas output from the on-shore fields and to transport, market and export the products. The life of the company is for 30 years.

The cost of the project is now set at $1.6bn, a marked escalation on the price that was being talked about four years ago. One reason for the reluctance of ADNOC's fellow shareholders to join the venture related to the financing of it. As it is, $1.2bn of the capital required is being lent by the Abu Dhabi Investment Authority at the rate of 2.25 per cent interest in two stages, $800m this year and $400m in 1980, with repayment over 10 years from 1982. The rest of the finance is being put up by the partners in proportion to their shareholdings. ADNOC has begun seeking out potential purchasers of the output in Japan.

Designed

Scheduled for completion in 1981, the project is designed to process as much as 850m c.f.d. of gas daily from the Bu Hasa, Bab and Asab fields. This should produce from the wet, rich content about 5m tonnes (500,000 barrels a day) of natural gas liquids (NGL) divided about 60 per cent liquid petroleum gas (LPG) and 40 per cent condensates (natural gasoline).

After separation at plants at each field, the gas liquids will be piped to a fractionalisation plant at Ruweis, where loading and storage facilities are to be built.

Some of the dry, lean gas will be piped to Abu Dhabi to supplement existing fuel supplies. The rest will be re-injected into the fields, particularly Bab, which has a high content of wet, rich gas.

The amount of dry gas available is insufficient and for this reason ADNOC is planning to tap the volumes locked in the Thamama rock formation. The condensates would go to the export production facilities at Ruweis while the dry, lean ethane-methane mix extracted would be reinjected and stored for future recovery.

Implementation of the project is structurally complex. Under Shell's supervision Bechtel is undertaking the design and construction of the fractionalisation plant and Saipem the shipping terminal facilities. CFP has overall responsibility for the contracts won by the Bechtel for the Bu Hasa gas extraction plant, the gathering systems and compression trains and Fluor for those on the Asab Ban Field.

ADNOC is in charge of Crest Engineering which is constructing the 355m kilometres of pipeline involved in the complex. A second company formed between ADNOC (60 per cent) and the French company Entrepose (40 per cent) is looking after the building and maintenance of the pipeline and related facilities including pumps, compressors, field injection equipment, gas separation installations, and storage facilities.

Since techniques of LPG extraction and transport are better developed and simpler than those for the production of liquefied natural gas, the hope is that Gasco, as well as being more profitable, will not suffer the same difficulties experienced by the Abu Dhabi Gas Liquefaction Company.

Owned 51 per cent by ADNOC, 16¼ per cent by British Petroleum, 8¾ per cent by CFP, 22.1 by Mitsui, and 2.9 by the Bridgestone Liquefied Gas Company, ADGLC's plant on Das Island was the first to be built in the Gulf and also involves the longest transport haul for the product in the world — to Japan, where the Tokyo Electric Power Company is the sole customer for the gas under long-term contract.

The increase over the past five years in the price of landed-price for LNG in Japan has much improved the basic economics of the project that was built by Bechtel and Chyoda at a final cost of $365m, though renegotiation of the low price originally set proved a painful business. However, the technical difficulties with the plant and problems with gas supply plaguing the project have been worse than anyone could have envisaged.

ADGLC's plant is fed by the associated gases from the offshore fields, mainly from Umm Shaif but also with some quantities from Zakum and Bunduq. Based on a throughput of 550m c.f.d. its capacity is designed to produce 2.3m tons of LNG and 1.3m tons of LPG, as well as 220,000 tons of light distillate and 230,000 tons of pelletised sulphur.

Shipments from the first train began in May 1977 and from the second train in the autumn of that year. ADGLC was already overcoming its teething troubles when in May of last year a leak was found in one of the storage tanks. Investigation of the fault began last September.

At present the tank is undergoing an exhaustive purge so that the engineers can get access to it, locate the rupture, and repair it. Before the process could begin, ADGLC had to build a full-scale model of the tank and the nitrogen plant.

The repair force is working in diving chambers in a unique, complicated and highly dangerous operation. Not until this autumn is it expected that actual repair work can begin. Meanwhile, the other tank was closed down for nearly two months for inspection in the early part of this year, and another minor leak was found in it. The decision was taken to resume production, though not without some qualms on the part of the Das Island workforce.

Rotation

ADNOC says that it has been possible through skillful rotation of carriers and the use of a floating storage vessel to maintain production at something like 70 per cent of capacity. The objective is to sustain output of LNG at 90 per cent. Nevertheless, the aggravation to Tepco is said to have been considerable.

Actual output for the third quarter of 1978, the last for which figures are available, was 358,903 tons of LNG, about 63 per cent of rated capacity, but only 112,548 tons of LPG, or a mere 35 per cent of design potential. Total sales for the year were slightly in excess of Dh 500m.

The discrepancy between LNG and LPG is accounted for by the fact that LNG can be produced from the off-take from the Umm Shaif gas cap but the plant has been short of the more heavy and wet gases directly associated with oil production. There has been a considerable shortfall not only as a result of the troubles with the distribution system but also because of the ceiling placed by ADNOC on output from the UMM Shaif field.

The plant was built on the assumption that the rate would be *500,000* b/d rather than the maximum of 250,000 b/d currently allowed. To increase the supply a supplementary gas-gathering scheme is being implemented by Stone and Webster at a cost of $300m that will harness about 200m cfd of gas from the Zakum field now being flared, which will be routed between the Umm Shaif separation facilities.

The programme also involves injection of dry, clean gas into that field's gas cap and connection with the low-pressure Upper Zakum field that will have little surplus available, however, after its own re-injection and power needs have been taken care of.

By 1981 when the project is completed Abu Dhabi should have achieved something like 100 per cent of its associated natural gas.

* The Oil and Gas Journal.

R.J.

Aid

CONTINUED FROM PREVIOUS PAGE

ever, the estimated $400-500m a year which used to go to Cairo will be counter-balanced by the fund set up in December, 1978, by the Baghdad summit. The money will go to Syria, Jordan and the PLO. The UAE's contribution will be $400m.

The philosophy behind the country's financial generosity is explained by Dr. Nasser Nuwais, head of the Abu Dhabi Fund. "There are two reasons, cultural and religious, to explain our attitude. The cultural one is the bedouin Arab tradition of gifts and hospitality. The religious one stems from zakat, the religious tax. It is the duty of all Moslems to pay a proportion of their income for the needy.

"Only ten years ago basic human needs like shelter, food and water were not being met here in Abu Dhabi. Being so close in time to such a state it is natural for us to contribute to those suffering elsewhere."

Mr. Nuwais also wants to set Western nations an example. This is partly humanitarian but he says it is also in the long-term interests of the industrialised countries to do the same.

He said: "The U.N. target for aid giving is 0.77 per cent of gross national product. The only European countries which meet this target are France, Sweden and Denmark. The World Bank has said that if the percentage of aid from rich countries is not increased by 5 per cent, we will have 800m people in the world by the year 2000 who will lack basic rudimentary necessities.

"If this happens it will affect industrialised countries. They need markets and must sell their technology to maintain growth. This will not happen unless development aid expands."

Mr. Nuwais' awareness of the global context of the country's aid policy is reflected in the institutionalisation of UAE's aid giving habits. Abu Dhabi gives less grant aid each year and lends more for development. Project loans are better managed. The Abu Dhabi Fund is not only the pipeline for half the assistance given, it has taken over the management of Dh 1bn of Government loans.

The Fund has gradually expanded the scope of its activities, lending to many non-Arab countries and increasing the variety of projects. A fraction less than Dh1bn of project loan agreements have been concluded in the past 18 months. Of this sum, Arab states of Africa were allocated 16 per cent, and other Arab countries 70 per cent; 7 per cent went to Asian countries, 4 per cent to other African developing nations, and 3 per cent to Europe. (Malta was awarded a Dh28m loan in 1978 for port development.)

This represents a change in the direction of lending from 1977 when African Arab countries received 26 per cent and other Arab countries 38 per cent. This does not reflect any alteration of policy but is a statistical distortion caused by the inclusion of a Dh663m loan for Oman's oil field development. More than one-third of the allocations have been disbursed.

Lending

As for lending policy, the Fund is doing more of its own evaluations. Loans go to a mix of infrastructural and industrial projects plus some lending for agricultural development. Each project is assessed on its own merits with a careful eye on related activity in the economy of the country concerned. The Fund co-ordinates closely with other development organisations to provide both cross-fertilisation of expertise and joint participation.

Much of the money lent by the Abu Dhabi government tends to dissolve into grant aid while Fund loans, although on generous terms, are monitored properly and are repaid. Interest rates range from 3 to 5 per cent, based on a standard formula depending on profitability of the project or circumstances of the recipient country. Repayment is normally over 15 to 20 years, with an initial three- to five-year grace period.

The final item in the inventory of UAE's outflows for assistance are its annual contributions to international bodies, banks and funds. These include the Arab Fund for Economic Development, the African Development Bank, the Islamic Development Bank, the World Bank and the International Development Association.

The country can be expected to increase its participation in such bodies as the institutionalisation of aid continues. The day is not far away when lending for projects will be totally in the hands of professionals and grant aid in cash will be given only exceptionally.

M.T.

OIL

Happily endowed

THE ESCALATION of oil prices by the Organisation of Petroleum Exporting Countries and the resulting energy crisis may have been triggered off by the Iranian revolution, but at a deeper level it reflected the tendency of the Middle East producers to constrain the rate of depletion of their petroleum resources.

The United Arab Emirates is as anxious as any other to maximise ultimate recovery. However, the Federation—or to be more precise Abu Dhabi—is in the happy position of being able to contemplate a marked increase in its capacity over the next few years and the reasonable prospect of new discoveries. It is a different question, of course—to which the answer will depend on many imponderables (both political and economic)—how fast output will be allowed to rise. Yet in relation to its population and development potential the UAE is exceptionally well blessed.

As a producer the UAE last year ranked sixth within OPEC ranks, with an output of 1.85m barrels a day. The level was down by 5.5 per cent compared with 1977, with the decline being explained by the enforcement of lower maximum off-take ceiling set by Abu Dhabi rather than the slack market conditions in the first three-quarters of the year. Despite a 13 per cent fall in its overall output to 1.44m b/d the state nevertheless accounted for 80 per cent of the UAE total.

In contrast Dubai, for which the only consideration restricting output is "proper field management," and maximising revenue is an incentive recorded a welcome increase of 13 per cent from 319,000 b/d in 1977 to 362,000 b/d last year. The miniscule production of Sharjah, which anyway only receives 35 per cent of the revenue from the field offshore the island of Abu Musa, fell from 28,000 b/d to 22,100 b/d.

While Abu Dhabi's preponderance as producer and the imbalance of oil resources within the UAE has been a crucial factor in the holding together and developing the union, as well as a source of jealously and dissension, it has not been sufficient to lay the basis for a federal petroleum policy—rather the contrary, as the less fortunate and impoverished emirates have waited in hope for hydrocarbon riches of their own. Although oil affairs were excluded from the prerogatives of the central Government, a department based in Abu Dhabi was duly established in 1972 to deal with them.

Mystery

As yet, however, the federal role of Dr. Mana al Otaiba, Minister of Oil, has consisted of little more than representing the UAE in OPEC—whose revenue gains have been enjoyed by Dubai and Sharjah. The actual financial arrangements governing the Dubai Petroleum Company probably remain as big a mystery to him as to everyone else, except for Sheikh Rashid, Mr. Mahdi Tajir, one or two other close advisers and the oil companies concerned.

Within OPEC Abu Dhabi tended to follow the leadership of Saudi Arabia well before the traumatic price split in the first half of 1977 when it joined the kingdom in sticking to a price rise of only 5 per cent in opposition to the 10 per cent set by other members. Abu Dhabi's part in the progressive escalation this year should not be considered a divergence from the basic alignment with Saudi Arabia. Together with Qatar it set the ball rolling in February when it raised the rates for its light, relatively sulphur-free light crudes—a measure justified in terms of premium differentials which the State has in the past adjusted up or down according to market conditions for its 39 degree Murban variety from the onshore fields and its 37 degree Umm Shaif and 40 degree Zakum crudes from the main offshore fields.

While Saudi Arabia limited itself for the second quarter to the price ceiling set by OPEC for the last quarter of 1979. Abu Dhabi joined other producers in building the $1.20 surcharge into its rates in addition. In May it made another upward adjustment of 80 cents in response to Iran's initiative. In the current climate Saudi Arabia — which subsequently raised the price of its lightest crude to bring it into some kind of conformity with comparable Gulf varieties—could hardly have restrained Abu Dhabi even if it wanted to. At the OPEC conference starting tomorrow (June 26) Abu Dhabi can be expected to back Saudi efforts to rationalise the OPEC structure. With Murban at $17.90, Zakum at $17.81 and Umm Shaif at $17.68 Abu Dhabi's official selling prices on May 20 were 35-36 per cent above the rate at the end of 1978.

Abu Dhabi, however, took a different path from other Gulf producers in stopping short of taking over full ownership of its concessionaires by limiting itself to 60:40 majority participation in the two main operating companies that are still responsible for the bulk of output. Its main motives in doing so were to ensure that it would continue to enjoy the fullest benefits of its partners' expertise and also that they would bear their full share of the considerable investment required for both development and exploration.

At the same time the Abu Dhabi National Oil Company, under its Algerian management team led by the redoubtable Mr. Mahmoud Hamra Krouha, has proved itself as competent, tough and ambitious as any state petroleum agency. There have been arguments over the extent of the programmes required to maintain the reservoir pressures of fields still in production and a reluctance by the partners to contemplate expenditure on the scale demanded by ADNOC for schemes that go to the fullest extent of ensuring ultimate recovery. ADNOC policy is well in line with the principles declared in the decree on the conservation of hydrocarbon resources issued last July by the Ruler, Sheikh Zayed.

Squeeze

The companies are anxious to retain privileged access to a part of Abu Dhabi's production and in addition have been able to obtain additional quantities of ADNOC's share of production (about 150,000 b/d) at the official Government selling price. It is now marketing its full entitlement and the old "buy back" provisions have long ceased to apply. However, the companies have found themselves financially squeezed even to the point of a negative cash flow. This is despite a notional margin between the tax paid cost (a rate of 85 per cent of posted price after payment of a 20 per cent royalty) that is larger than the fees and distributed by other host countries to former concessionaires operating now as service companies. ADNOC pays tax to the Abu Dhabi Government at a rate of 55 per cent and transfers to the Abu Dhabi Investment Authority its profits after financing its share of operations and investment.

The new relationship with the main operating groups have now both been finalised. Last year ADNOC signed an agreement—running to the year 2024—implementing the original 1974 participation deal with British Petroleum, Compagnie Française des Pétroles, Shell, the Exxon-Mobil partnership Near East Development Corporation (each with 9½ per cent) and Partex (2 per cent). Under it the Abu Dhabi Company for Onshore Operations (ADCO) was incorporated to run the onshore operations on behalf of the shareholders. Its role is strictly a functional one. Policy, planning, finance and budgeting are dealt with by a joint management committee grouping all the shareholders.

In February this year a similar agreement was concluded with the former Abu Dhabi Marine Areas group, now named Abu Dhabi Marine Areas Operating Company (ADMA-OPCO), in which the non-state equity share is divided among BP (14⅔ per cent), CFP (13⅓ per cent) and the Japan Oil Development Company (12 per cent). Under separate arrangements CFP is providing ADMA-OPCO with the technology and expertise for geology, exploration, drilling, transportation and loading facilities.

ADNOC's dispute with its partners centred on the Bab field, depletion rates from it and the injection programme needed to sustain a higher level. Having imposed a limit of 50,000 b/d, ADNOC exacted the assent of its partners to drilling double the number of wells and water injection facilities that they believed to be necessary. The development should open the way for a rise in production to 150,000 b/d and perhaps eventually 250,000 b/d. Planned investment for ADCO's other onshore fields is about $300m annually over the next few years.

The partners' assessment of the onshore fields' total capacity was 1.3m b/d, but with its much more cautious view of good oilfield maintenance ADNOC has set maximum allowable of 850,000 b/d-950,000 b/d for Bu Hasa (compared with the other shareholders' rating of 690,000 b/d), 325,000 b/d for Assab (320,000 b/d), 50,000 b/d for Bab (60,000 b/d) and 25,000 b/d for Sahil (25,000 b/d). The aim is to maintain a plateau of production at these rates (with the exception of the anticipated increase for Bab) for 20-25 years. In addition, however, the Shah field should be tied in to the system at a rate of 50,000 b/d in 1981 on the completion of the first phase of its development.

ADNOC's foreign shareholders in ADMA-OPCO have also maintained that higher levels of production could be achieved from [illegible] off-shore fields with[illegible] to ulti[illegible] ma[illegible] desired [illegible] compared with the limit of 500,000 b/d imposed since 1977. The main contentious issue has been over the Lower Zakum, which they believe could run at some 300,000 b/d compared with the current maximum allowable of 200,000 b/d. ADNOC has insisted on a costly development programme on a scale that they believe to be unnecessary. But at a meeting early in May "they accepted our point of view," as Dr. Hamra-Krouha put it.

With the fulfilment of ADNOC's reservoir engineering requirements, the objective is a maximum allowable 320,000 b/d for Lower Zakum by the end of next year. The rate for Umm Shaif has been set at 200,000 b/d, compared with the 500,000 b/d once envisaged for the field by ADMA, and ADNOC considers the optimum to be 250,000 b/d. The balance of output comes from the small part of the Upper Zakum structure that is presently being exploited and which will eventually be handed over to the group developing the whole field. ADMA-OPCO's budget for the current year is $500m, about 40 per cent for operations and 60 per cent capital spending. Production costs per barrel are still under one dollar despite the relatively large investment required compared with ADCO's fields.

With worldwide commitments in mind both BP and CFP declined to join in the full development of the Upper Zakum field, although they still have an option to join in the massive project which could add eventually another 1-1.2m b/d to Abu Dhabi's capacity. Reserves are estimated at 48bn barrels, of which 16m b/d are reckoned to be recoverable, according to Dr. Jawwad al Sheikh, deputy general manager of the Zakum Development Company. The nature of the structure, with its low gas pressure and the need for extensive water injection from the outset, puts it on a par with the North Sea in terms of dollars committed for each barrel to be produced daily. As it is, ADNOC has only one equity partner in the venture, the Japanese Oil Development Company, which has 12 per cent of the equity.

The current provisional cost estimate is for $2.7bn building up a capacity of 500,000 b/d by 1983 with output beginning in August 1981 and rising progressively thereafter. CFP is acting as overall project manager and, apart from the fee for its services, will have the right to buy 20 per cent of the crude produced, at market price, for a seven-year period. ZADCO, the concern undertaking the colossal development, is a joint venture between ADNOC and CFP. Apart from the water injection Upper Zakum will require a very complex pipeline system, master-minded by R. J. Brown and Associates of Switzerland, which will centre on Zirku island where there will be three offshore terminals for which Foster Wheeler has the management contract.

The rest of Abu Dhabi's capacity in production or in prospect is offshore areas relinquished by the main marine operating group — marginal fields in which the Government declined to stake its own money but has varied fiscal terms. The wholly Japanese-owned Abu Dhabi Oil Company started shipments from the Nuharraz field in 1973 and is producing at a modest 20,000 b/d on which it pays 55 per cent tax and a 12.5 per cent royalty. It has recently been awarded additional acreage.

Partners

The Abu al Bakhoosh field, which came on stream in 1974 and is now running at 65-70,000 b/d, is operated by CFP, the other partners being Napco Eastern (24.5 per cent), Amerada Hess (12.5 per cent) and Sunningdale Oils (12.25 per cent). Their fiscal arrangements are the same as the partners in the two main operating groups.

Exports from the field discovered by the Amerada Hess group in 1974 under a concession lasting until 2005 are expected to start from Arzanah island this summer and to reach 40,000 b/d by the end of 1980. ADNOC has elected to take 88 per cent of the Umm Addalkh Development Company, leaving 12 per cent for the Japanese Oil Development Company which discovered it. The field's potential has been put at 30-40,000 b/d.

Beset by difficulties is the Bunduq Company, which is equally owned by United Petroleum Development of Japan, BP and CFP. It exploits the offshore field straddling the Abu Dhabi-Qatar median line under a revenue-sharing plan. Last year ADNOC ordered a three-month halt to operations because of a sharp rise in the gas-oil ratio. The shareholders were asked to implement a secondary recovery programme but asked in return for alleviation of their 75 per cent tax and 20 per cent royalty rates. BP and CFP, meanwhile, have been negotiating the sale of their shares to UPD, which is believed to have provided 90 per cent of the development finance in the past, anyway.

Dubai presents a much more modest, less exciting and simple —though in some vital respects obscure—picture. It has one producing venture at present, exploiting two offshore fields run by one of the world's stranger conglomerates, although the actual operator is Continental Oil. Leaving aside names of locally registered affiliates and corporations, ownership is shared by Continental 30 per cent, CFP 25 per cent, Hispanoil 25 per cent, Texaco 10 per cent, Sun Oil 5 per cent and Wintershall AG 5 per cent. Four years ago Sheikh Rashid announced a takeover of its assets in DPC which started producing in 1970 and payment of $110m compensation but announced without elaboration that the companies would go on running the producing operations "bearing all the costs and expenses involved."

Financial terms remain a closely guarded secret, although it is understood that the current posted price for the fields' 32 degree oil is $18.37 and the official selling price $17.08, though the significance of the former and the relationship between the two remain unclear. The customers' lifting entitlements are in proportion to their shareholdings.

Having reached 319,000 b/d in 1978, output rose to 362,000 b/d last year through a happy combination of factors. The percentage of lost production time was cut back, the rate of drilling for flood water and gas lifts was greater than anticipated, improved techniques were introduced and the natural decline in reservoir pressures was less than anticipated. Output has continued at the same level so far in 1979, when it was expected to reach its peak. It now seems that DPC will be able to continue at its optimum rate for another year or so, after which it will progressively decline. The latest available information indicates that this will not happen until perhaps as late as 1987.

Importance

Helping to arrest the downward curve will be a modest flow of some 15,000 b/d from two small structures, Rashid and Fallah, which should be linked with DPC's unique submerged storage tanks some time next year. For Dubai their main importance is that they are rich in gas. A new exploratory drilling programme based on updated seismic data is to begin later this year, but without any particular optimism.

Continental gave up Dubai's onshore concession after drilling three dry wells. Just over a year ago South Eastern Drilling Company and Houston Oil and Minerals were awarded concessions covering over 1m acres on shore and nearly 500,000 offshore relinquished in 1976 by Texas Pacific Oil. The new concessionaire has so far drilled one dry hole.

This year Sharjah's production from the Mubarak field off Abu Musa island has slumped to a level of 16,500 b/d a level of 13-17,000 b/d. The decline raises the question whether, even with soaring oil prices, the operation is commercial for the shareholders of Crescent Petroleum—Buttes Oil and Gas (25.7 per cent), Getty Oil (25 per cent), Kerr McGhee (12.5 per cent), City Services (10 per cent) and Juniper Petroleum (1 per cent). The arbitration late last year over Sharjah's demand for a substantial retroactive increase in tax and royalty rates can only have squeezed them harder. The settlement was a rise in the royalty rate from 12.5 per cent to 14.5 per cent and the tax rate from 55 per cent to 65.65 per cent backdated to mid-1977, with a further rise for the latter from tha start of 1979.

The current post price for Mubarak 39 degree crude is $19.28 and the official selling price is $17.93.

Under the compromise reached following the dispute with Umm al Qiwain over rights over tha structure originally discovered by Occidental and the seizure of Abu Musa in 1971, by Iran, revenue was divided with it and Sharjah was forced to give 30 per cent of the other half to the neighbouring Emirate. On the brighter side for Sharjah there are still rumours of the existence of a significant gas field under the territorial waters of the island.

Last year a new concession agreement involving exploration commitments of $21.6m was signed with Standard Oil of Indiana in respect of territory onshore to the west of the Oman mountains abandoned by former concessionaires. Sharjah, like the other northern Emirates continues to live in hope of real hydrocarbon riches. Fate, they might feel, has not been kind in their distribution, but others concerned with the Federation can only welcome Abu Dhabi's preponderance as an oil power.

R.J.

ABU DHABI

Rapid changes

trec-lined, flowering and bigh-rise glass- ings the town of Abu -s no resemblance to d building site of 10 -let alone the village es away which had little changed since century. The bnil- be municipality have nt respect for any- antiquity except for vashed fort that once the Emir'a Diwan

souk in Al Ain has itly demolished but sert town, the real power of the Al lynasty until the dis- oil, it is possible to lea of the bewilder- change Abu Dhabi gone since the first of petroleum in 1963. ur has been added mhre green of the te palm groves by ig oleander, hibiscus sk to mention but a mported plants culti- ut regard to expense idly-declining water ith the saline sands rt.

ght of the splendid ersity of Al Ain, akbut, the former was deposed at est in 1966 after a rly 40 years because ctance to spend oil its in his modest, dilapidated *majlis* chamber) in a one- ing. He is surprised, ased, to receive un- sitors.

ayed, who succeeded ilding a palace, he does not really see r it. He keeps up iffairs by listening to ransistor radio that table before him. he think of the rael peace treaty? Sadat knows better I," he replies.

ay, the Moslem day ack at the Al Ain European. and ab expatriates roast imming pool, Mr. Hamra-Krouha, the lgerian technocrat the Abu Dhabi Oil Company is in the Oasis Ball- ling over the open- of a management its aspiring young nany of them young f the UAE fresh sity abroad.

rces

ed in a shining ten- headquarters at the corniche, ADNOC tion to the rule of ve and executive hat afflicts so much ral and Abu Dhabi machinery. That is ooly because it is th the management rates one asset of ance and a deplet- t that—its hydro- ources that should Dbabi a revenue of rear.

wealth, of course, c it impossible for hayyan dynasty to elf from the wider l even before inde- rom British tutelage

art from considera- its role in pan-Arab the evolution of the wealth increasingly Dhabi with questions wn domestic evolu- ularly in relation to diversification and raphic balance of the Emirate. The indigenous population is very small. In itself the provision of basic infrastructure and services has created a situation in which the citizens are outnumbered by foreign workers in a ratio of four or five to one.

Justifiably, Abu Dhabi is going ahead with a vast capital-intensive gas-gathering scheme, the development of an NGL plant and the construction of an export-oriented refinery that will maximise the return from the exploration of its declining hydrocarbon assets. The issue now is how much further to go in diversifying into other forms of economic activity that could possibly destroy the social fabric of the Emirate and even its established order.

The only proper census of the Emirates was taken in 1968 —when such an exercise was far more manageable than it *would* be now — by the old Trucial States Development Council. It produced a figure of 22,260 native Abu Dhabians. Even with a birth rate of 4 per cent annually the natural increase would have brought the population of native origin to only about 35,000.

Citizenship

Abu Dhabi has been relatively generous in giving citizenship to other expatriate Arabs, particularly those serving in the Armed Forces. But, the total number of nationals now could be only in the region of 50,000 compared with a total population of no less than 250,000.

If expatriates were discounted, then the per capita GNP or income of Abu Dhabi's privileged citizenry would be about $100,000. In practice, not only is the distribution uneven but about a quarter of the Emirate's wealth is disbursed as aid; a considerable amount *is spent* on the other inhabitants of the Federation and — not least — a proportion is saved and remitted by foreign manpower.

The Finance Ministry, however, still found itself with a surplus, believed to have been rather less than Dh1bn from the revenue — 55 per cent of its operating profits — that the ADNOC automatically transfers to it. In addition to the relatively small sum that the department handed over to the Abu Dhabi Investment Authority (ADIA), ADNOC would probably have transferred Dh3bn-Dh4bn to the ADIA.

In 1977 Abu Dhabi would still have earned a surplus of $1bn to add to the accumulated assets managed by the ADIA that currently total about $9bn and this year should produce an income of not less than $1bn— or $20,000 for each citizen of Abu Dhabi—to be ploughed back into the reserve.

Most of the money is invested abroad but last year $1.2bn was lent to Abu Dhabi Gas Industries, the joint venture for the gathering and exploiting of onshore gas currently being flared, in which ADNOC has a 68 per cent share.

The apparent anomaly of ADNOC reverting to the investment authority for funds, which in effect the State oil entity had previously passed on to it, would be accounted for by the reluctance and difficulty of the partners in raising finance elsewhere. The loan, however, is at commercial rates of interest.

Also included in the portfolio of the State investment agency are the $500m worth of placements made by the UAE Currency Board in 1976-77 that were subsequently judged to be of doubtful worth and to be yielding too little interest. But they have in no way been defaulted on.

Like ADNOC, the investment authority presents one of the modern faces of Abu Dhabi. Mr. Ghanem al Mazrui, Secretary-General of ADIA, says: "We have the same philosophy as Kuwait. We start from the premise that we are taking care of funds that will be a source of future income. The assets at our disposal are Abu Dhabi's *future pension fund.*" *As with* Kuwait, the objective is a balance between growth and stable income in which the holdings of bonds and equities are "inextricably linked."

He describes the ADIA as a "conservative institution that is sensitive about its image." The one and only large, well-publicised acquisition was the Commercial Union building in London five years ago, although holdings in seven U.S. airlines were purchased on the ADIA's behalf by Morgan Guaranty. Mr. Mazrui says that the proportion of total funds in property is very small, adding that U.S. legislation makes such investment difficult.

According to other sources, there has been a significant shift over the past year from private to open market placements. About 70 per cent of assets are in bonds and equities at present. The ADIA is said to have achieved a very good currency spread and to have reduced its dollar holdings to as little as 40 per cent last year. It now has *more* than two dozen portfolios managed by institutions in the U.S., Britain, France, West Germany, Switzerland and Japan. Robert Flemings remains the leading British one, still running a long-established Japanese portfolio that has shown considerable appreciation.

ADIA's merchant banking arm is the Abu Dhabi Investment Company in which it has a 70 per cent share, with the balance being held by the National Bank of Abu Dhabi (10 per cent) and the public (20 per cent). Last year it was by far the most active among Arab institutions in the Euromarket with responsibility as lead manager for ten loans worth $1.77bn and as co-manager for 14 loans of which $2.66 bn was attributable to it.

It was fourth in the league of Eurobond lead managers with eight issues worth $107.4m but first as a co-manager with $776.6m of issues attributed to it.

Surplus

According to Mr. Mazrui, only a small part of the State's surplus has been involved in these operations. At the same time, however, the National Bank of Abu Dhabi, with which the bulk of the Government's cash balances are placed, was in the top 10 in each of the management categories last year.

Abu Dhabi is already very much a *rentier* State and since 1977 has become a force in the world's financial markets. It has also gone far in establishing basic infrastructure and services, though they will not be complete until 1983 or 1984 when there will be need for replacement and renovation. In this year's Dh 6.7bn development budget the concentration is on completing existing projects, most notably Abu Dhabi's international airport, the harbour extension and three hotels—a sector in which the Emirate has avoided the gross over-capacity now existing in Dubai and Sharjah. But the moratorium on starting new ones has not been wholly observed.

In 1979 no less than about half of appropriations is for the construction of roads. A number of tenders are out for new ones and also sewerage schemes.

Outside the industrial sector the major project in prospect is another international airport at Al Ain.

To enhance what can now fairly be described as a city and *something* of a *triumph*, new buildings for the Abu Dhabi Municipality and Chamber of Commerce are planned. Last but not *least* among the projects on the drawing board is the $60-70m tourist tower with a *revolving* restaurant and 150-foot telecommunications aerial at its top that will exceed in height, if not dwarf, the Dubai Trade Centre.

Such expenditure, however, is paling into significance in comparison with the money being committed to oil and gas-related projects. Earlier this year Dr. Mana al Otaiba, Minister of Oil, said that expenditure on the *industrial* development of its oil and gas reserves would be no less than $20bn by 1985, most of the investment going to hydro-carbon-based projects at Ruwais, the complex under construction 100 miles west of Abu Dhabi town, with the rest going to others elsewhere in the UAE.

Development is proceeding in an ad hoc, somewhat incoherent, manner. The Three-Year 1977-79 Plan has remained only a guideline for certain sectors. It never made any real sense because of the lack of co-ordination between the Planning Department and ADNOC, which is responsible for the industrialisation and the infrastructure at the Ruwais complex. Nor was it ever approved because of the lack of any policy or consensus about immigration.

Output

The plan envisaged the population of the Emirate rising to 475,000-500,000 by the end of this year, not the least through a totally unrealistic — in both practical and political terms — doubling of industrial output in each of the three years.

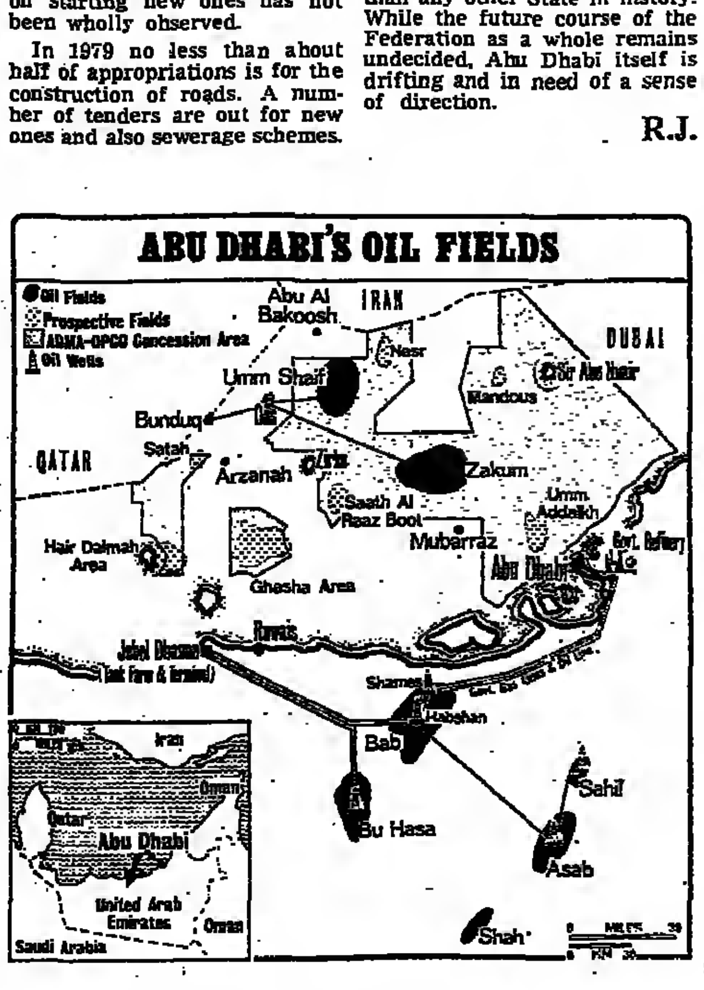
At Ruwais, contracts worth an estimated $3bn — to which ADNOC is committed — are under implementation. Much of that money would relate to facilities associated with the $1.6bn gas-gathering scheme and the $500m mainly export-orientated refinery under construction by Salpem, which is scheduled for completion next year.

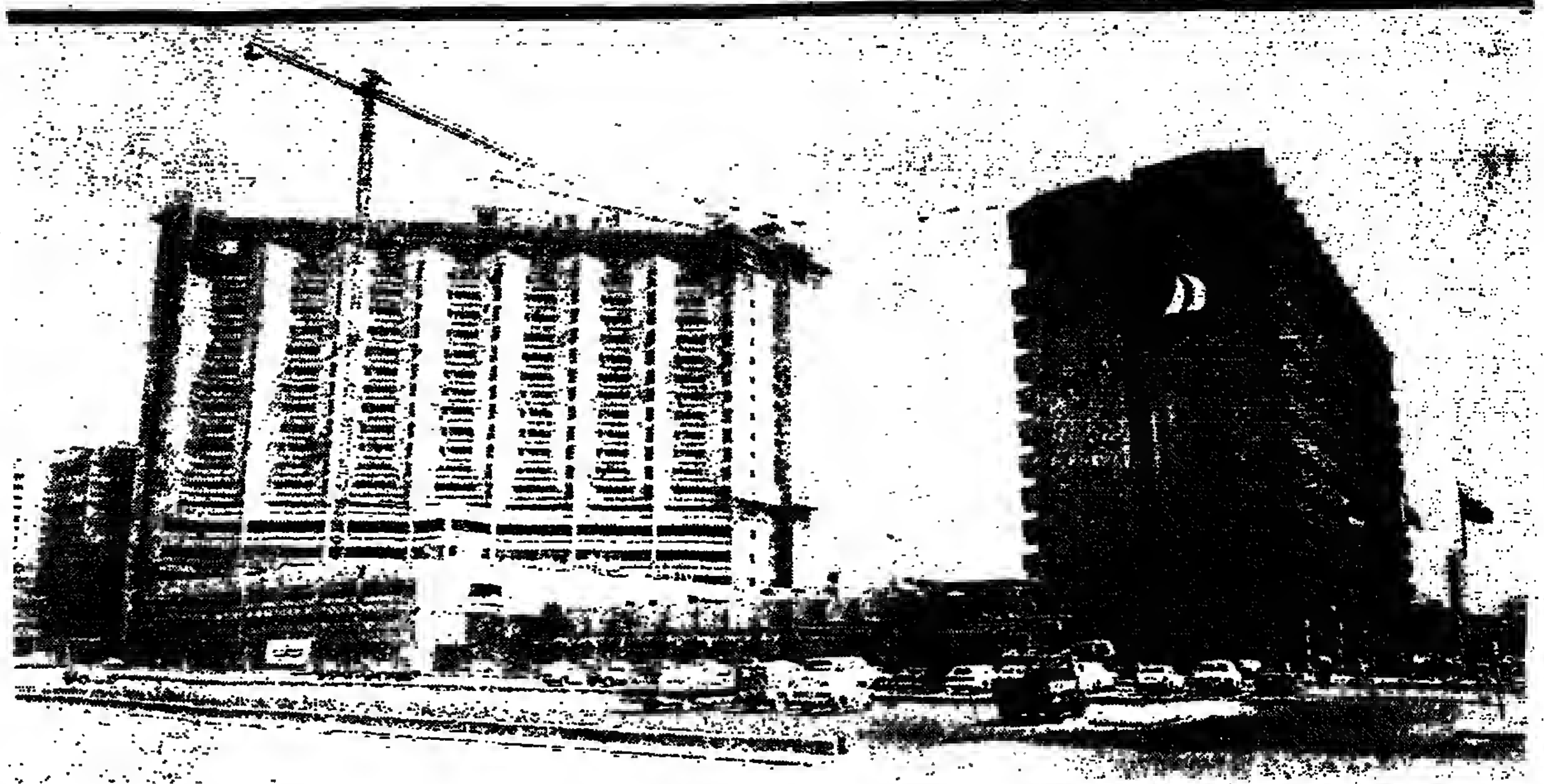
Work is continuing on the infrastructure of the industrial areas as a whole with the main concentration on roads, the upgrading of the airport and the general cargo wharf. Expenditure on it this year is expected to run at about $150m, not including the 1,000-unit housing scheme. But the dimensions of the new city for which a design contract was given last year has not been decided as the reappraisal of the scope of the development goes on.

The fertiliser plant for which the French concern Creusot-Loire was given the design contract is still in suspense, though the project will probably go-ahead because of good market prospects. For the time being petro-chemicals are not being seriously considered. And there are now evidently serious misgivings about the viability of the joint-venture iron and steel plant that ADNOC has been discussing with Indian interests because of the lack of locally available labour and materials. Dr. Hamra-Krouha, for one, dismisses the project as "crazy."

Confusion over Ruwais and planning generally seems to reflect the contrast between the old and new epitomised by the juxtaposition of old Sheikh Shakhbut in his *majlis* and the ADNOC management seminar in Al Ain. Abu Dhabi has perhaps developed more rapidly than any other State in history. While the future course of the Federation as a whole remains undecided, Abu Dhabi itself is drifting and in need of a sense of direction.

R.J.





The InterContinental Plaza (left) and InterContinental Hotel currently under construction in Dubai

DUBAI

Problems of scale

OF ALL the member States of the United Arab Emirates (UAE), Dubai has over the past two years been the focus of most concern and attention on the part of the international financial community. Its problems are perhaps basically ones of scale—how much of its revenue should it spend on what?

Dubai's economy has always been more dynamic than that of its fellow members, with a prosperity predating the production of oil. Although its petroleum revenues started to flow seven years after Abu Dhabi's and on a much smaller scale, it took the plunge into industrialisation much earlier. While Abu Dhabi's planners are still doodling on the drawing boards Dubai's major projects are completed or well under implementation—leading to searching questions about their viability and the overall fiscal position of the Emirate.

Sheikh Rashid bin Said al Maktoum has always been famous for his commercial acumen, and for building such projects as the massive Dubai port when all the foreign experts advised against development on such a scale. The experts were wrong, and Rashid was right. Today when economists point fingers at such projects as his giant ship repair yard and the 66-berth port under construction at Jebel Ali, the ruler's advisers merely point to that time when Sheikh Rashid's economic philosophies were always one jump ahead of everyone else's. Nevertheless, many people, including Dubayans, are now questioning the viability of a number of current projects. Some even have the temerity to say that the Ruler may have miscalculated this time.

Dubai is after all working on a smaller time scale than its richer neighbour, which is still continuing to find and exploit substantial oil and gas discoveries. The decline in Dubai's oil production is already being talked of as starting in 1981, although it now seems that the natural decline is not as large as anticipated earlier. Improvement in techniques mean that its current production of about 360,000 barrels a day (b/d) can be maintained for the next year or so and it is conceivable that it may go higher.

Meanwhile, an extensive seismic survey has been completed and an exploratory drilling programme is due to begin in the last quarter of this year. The new Falah and Rashid fields are expected to come on stream some time in 1981, by which time combined production is expected to be around the 15,000 b/d mark. However, the hunt for gas as well as oil is now on in Dubai so that future energy supplies to the Emirate's industry are guaranteed. Hopes are centring around the Rashid field as regards gas. The Sedco-Houston oil group is also undertaking onshore drilling. There are also hopes of natural gas structures in the deep Khuff zone, of which the potential has yet to be determined.

Revenues

The steady increase in production and rising oil prices has meant a steady upward trend in revenues for Dubai over the past few years. Last year oil income would have been about $1.2bn. With the December price increases declared by OPEC, this was expected to go up to between $1.3bn-$1.4bn. But the recent hikes of the past few months may mean that income will go to around the $1.7bn mark or even more depending on the results of this week's meeting of the oil producers in Geneva. The increases could not be more timely.

A great deal of talk has gone on in the past year about the extent of indebtedness of Sheikh Rashid. The Ruler already has an overseas debt of about $2bn. With the issue of the loan for the aluminium smelter and gas company, his liabilities are expected to increase to $2.67bn. Sheikh Rashid will have to pay out between $500m-$600m this year in servicing his existing debts. However, with rising oil income, his debt servicing ratio will go down from its former estimated level of 35 per cent of total oil income. Local and foreign bankers are in fact taking a very bullish attitude towards Sheikh's Rashid's financial position.

The great imponderable at this moment concerns the financial arrangements which will be worked out in connection with the Federal Budget. Sheikh Rashid has already pledged that he is willing to hand over 50 per cent of his oil income to the UAE Government. In return he would be willing also to make over a number of his own departments which he currently pays for himself. Among these are the police, the army, the health service and, most important, the electricity and water supply. If, however, he hands over the equivalent of half his oil income this year, Sheikh Rashid will not be a net gainer—for his local expenditures will be less than 50 per cent of his oil revenues—excluding, of course, his expenditures on major industrial projects. Last year, Sheikh Rashid was believed to have spent about $526m on Jebel Ali and the Dubai Trade Centre.

The most onerous of Dubai Government's local expenditures is the electricity company which is currently running at a technical deficit of the equivalent of $124m. Last year Dubai spent $134m on electricity and $47m on subsidies. However, expenditures should have been $289m and a local bank currently bears an overdraft of $236m for the Dubai Electricity Company. Discussions have already taken place about the take-over of the electricity installations by the Federal Government but the former administration expressed reluctance to absorb such massive and expensive facilities.

But the hand-over will be complicated by the fact that a share of the company is owned by Saudis and Kuwaitis, who will have to be compensated. Furthermore, part of the electricity and water installations are being used to supply Jebel Ali projects which will not be within the scope of the Federal Government.

Because all these arrangements are still under negotiation Dubai's fiscal position is difficult to assess at present. But international bankers are taking an optimistic view of it. Sheikh Rashid's resort to the market has been well received in London.

The loan, for $670m in total, is made up of three parts. The syndicated Eurodollar slice of it is presently being marketed at the lowest rate above Libor that Sheikh Rashid has ever been able to secure in 15 years of borrowing on the international market. It is believed to be about the 1 per cent or just over mark and is a massive vote of confidence in Dubai, the Gulf region as a whole and the Emirate's ambitious industrial plans.

It was also a gesture of faith in Dubai Aluminium's project itself, the Emirate's most controversial to date. The project now carries a price tag of $1.3bn, though 51 per cent of this is being spent on necessary infrastructure such as a desalination plant which will produce 25m gallons of water a day, of which only 400,000 gallons will be used by the smelter. The rest will be used to supplement the Dubai town supply. All of this money has now been raised by internationally syndicated loans.

The Dubai plant has a design capacity of 135,000 tonnes a year of aluminium and its off-take has already been almost completely sold to Nissho Iwai of Japan, the Southwire Corporation of Georgia and Alcan UK, the latter being partial shareholders in the venture, which is 80 per cent owned by the Dubai Ruler. When the project was conceived the price of aluminium was assessed for profitability at 60 cents a pound, but the current price of aluminium is now around 73 cents, and may rise even further because of declining world capacity. A number of Japanese plants have been closed down and older installations in the U.S. are also closing, because energy supply to the plants will become a greater and greater problem. Alumina, the raw material for the metal, is, on the other hand, expected to experience a soft market for the next five years or so, and in view of these rising prices for aluminium the off-take agreements are currently being renegotiated. Nevertheless, Dubai officials say they do not expect to make an operating profit before another five to six years and the write-off period for the capital investment is expected to be around 20 years.

One of the nagging questions on the Dubai project is its supply of gas, for Dubai's existing gas supplies are not sufficient to cater for both the Dugas and Dubal plants. The Dugas plant, which is designed to utilise the associated gas from the oilfields, has a design capacity of 100m cubic feet a day, though input from the fields will only be 20m cubic feet a day. The difference, it is hoped, will be made up by the development of the Rashid field.

When complete, the plant will produce 370,000 tonnes of propane, 260,000 tonnes of butane and 2-3m barrels of condensates annually. The dry gas of the Dugas plant will be used to supply the Dubal plant, but as yet present supplies are only enough to meet three-quarters of Dubai's needs when the plant is in full production in 1981. Negotiations have been going on with Oman for some months now to make up the remainder, but have got into an impasse lately. The lull in negotiations has not been caused over any disagreement over the price, because that has now been agreed, but over the possibilities which the rapprochement between Abu Dhabi and Dubai open for the supply of gas. With Sheikh Rashid in control of the Federal Government, it would prove extremely difficult for Abu Dhabi to refuse Dubai a supply of gas, a commodity it is extremely rich in. Further, there is always the possibility that Dubai will find its own gas.

There are increasing doubts however, about a number of Dubai's other projects. Even local bankers long associated with the Emirate and its Rulers now believe the Jebel Ali port with its 66 berths to be grandiose and unnecessary in view of the over-capacity of Gulf ports and the downturn in trade.

The cost of this mammoth facility is now around the $1.7bn mark and still going up. There is speculation, meanwhile, that the scope of the project may yet be curtailed. So far fewer than 10 berths have been handed over, some of which will be used

CONTINUED ON NEXT PAGE

SHARJAH

Out of the gloom

...e last two years Sharjah ...n the by-word for disaster in the Gulf. Economists and local ... point to the Emirate ...e example of uncon...velopment and over... plans. At the time of ...rty slump in the UAE, ...arjah which became ...atic example of what ...en when the property ...s go mad; its streets ... by empty unlet build...shells of half-finished ...ons.

...hat is an unfair reflec... Sharjah economy, for ...he Emirata did taka a ...ith the introduction ...nk liquidity measures ...77, it has to a large ...led itself out of the ...wo years ago. Sharjah ... some major assets, ...s cheapness (rents ...d with the property ... the enthusiasm of the ... work there, and its ...ikh Sultan, ona of the ...nd most enlightened ...E. The advisers who ...nd two years ago ... grandiose schemes ... left, and Sharjah is to fiod its own niche ...leral economy.

...n its tiny oil produc...ah has had to try the ...ore effort has gone ... planning of the ...inal appearance than ... and though on occa... led to some uncom...xtapositions such as ... most exclusive beach ... located next to the ...ort, its bridges some...ngruonsly decorated ...o gas lamps, there ...me pockets of well ...t developments sucb ...ly Sharjab souk and ...e. Overall, the town ...e look of being in a ...tinuous construction, ... also the feeling that ...ll finished it will all

...argely the result of ...terest taken in the ... its Ruler, Sheikb ...as he wbo personally ... great detail the ... airport, which must ...e of the most beauti...orld. Politically, too ...ltan has become ...is support to those ... forged the memor...he Federal Cabinet ... Assembly.

... observers believed ...ve caused a worsen...tions with Dubai, ...ears has been the ...ibal and commercial ... this possibility ... have been averted ...xtent by the recent ...ween the Dubai and ...lers. Government ... speak of a "new ...getherness between ...s. and promise that ... dispute which bas ...n for more than ... will be solved and ... restrictions wiped ... with Dubai are ex...portant to Sharjah ... a large extent the ...osperity has been a ... its neighbour. Its ...tiny compared with ... States, and under ...t dating back from ...venues have in be...half with Iran and ...h Umm al Quiwain. ...ranian Government ...hat this agreement ..., which was made ...n's seizure of Abu ... may be terminated, ...ber and more press... have absorbed the ... Iran's new rulers. ...rtain that the new ...rnment has actually ...ve up the island. ... in the Mubarak ...ing from an output ...f 22,100 barrels a ... present level of 16,500 b/d. Using the old price of $12 a barrel, Crescent Petroleum believed the economic limit of the field could have heen reached by 1985, but with soaring oil prices this will undoubtedly be stretched further. But production costs are also going up. An exploration programme is now heing outlined, but so far there are definite plans for the drilling of one well only. Its high-quality oil is currently selling at $17.93 (official price), and total income from the field is estimated to be around $100m, but final income to Sharjah not more than $33m.

Enclaves

On the onshnre prospects, a 600,000-acre concession was awarded this year to Amoco, wbich is part of Standard Oil. The area covers all land west of 56 deg E, but excludes the enclaves nf Sharjah. Exploration started in March this year but the results of the survey will not be known until the end of the year. Amoco are spending $2-3m on exploring the region, using more advanced equipment than was available to previous concessionaires on the onshore area.

A far more important source of revenues to Sbarjah than oil is the money received from Abu Dbabi, which local bankers say comes in in small but steady amounts. As yet it is unclear whether this regular stream nf funds will continue to flow under the new administration. For Sharjah it is absolutely vital; the emirate's debts are estimated around $1bn.

Nearly one-quarter of this was owed to local and foreign banks in the emirate. Credit advanced to the Government accounted for Dh1.1bn or 39 per cent of the total. Bankers point out that some of this may include the original borrowing for such projects as the Sharjah Cement Co., which bas since been transferred to public ownership. On the deposits side, however, Government accounts for only 17 per cent of the total.

A large part of the debt is owed to local contractors, and a number of them have bills with the Government which have been outstanding for nearly two years. All are being paid gradually but in small amounts, and thus repayment to builders is likely to be a long-term affair.

One of the major effects of this situation is that the electricity department has no back-up facilities to cope with peak demand this summer. Elin Union, the semi-government company of Austria, after many months of waiting, has been paid for the last of its 30 MW steam turbines and long-term finance has been arranged for the two 75 MW turbines from the Italian company, GIE.

Millions of pounds worth of electrical equipment, particularly on the distribution side, is, however, lying around quaysides awaiting payment. If paid for and installed a trouble-free summer would be guaranteed, say local consultants, but until then the situation is uncertain. Electricity in summers such as the UAE experiences is the mainstay of life, and a shortage of it can lead to an exodus of residents, as Sharjah found out only two summers ago when there were many power cuts.

The provision of power and water is a major burden on all Emirates, and Sharjah, like a number of other northern States, is hoping that with the establishment of a new Federal Government the authorities will take over and operate the service. Over the past four years the Emirate has spent around $400m in the provision of electricity, a large part of which has been financed by banks and foreign credits. Local officials are hoping that with the take-over of the facilities, compensation of around Dh 1bn may be paid, thus easing considerably the liquidity situation in Sharjah and the Government's position generally.

Sharjah also has a number of loans from foreign banks in the form of syndicated Eurodollar loans. There bas beeo one for $200m from BAII which was guaranteed by Abu Dhabi, and another two for $50m and $36m from the Anthony Gibbs merchant bank and Citicorp respectively.

The property market is still the second largest absorber of bank credit after the Government. Although there is still a lot of property lying around in bank portfolios, there are bopes that many of these will be passed on the projected Real Estate Bank. Meanwhile lettings are picking up sligbtly, if only because Sharjah is often half the price of nearby Dubai. "It's as cheap as Leeds," as one banker put it, "and much more pleasant." At night Sharjah blossoms through numerous cabarets, discos and supper clubs as the hotels attempt to make for empty bedrooms through lucrative food and drink sales.

Just now Sharjah hotels are experiencing a mini-boom from tha uncertainty bred by the drinking laws recently applied in Dubai. Hotel prices are also coming down, discounts being freely quoted and there is talk of some offering rooms at Dh100 a nigbt. But occupancy rates still hover around no more than 30 per cent, and with hotels still under construction such as the massive Intercontinental, the competition will get even fiercer.

One point that is frequently overlooked about the property market in Sharjah is that many of the buildings are not owned by local merchants. Under its freer land ownership laws which were in force some time ago, Sharjah attracted a lot of foreign Arab and Gulf investment, as well as interest from the merchants in Abu Dhabi. Most of the emptiest hotels are in fact owned by non-Sharjans.

Landmark

One of the most successful property developments in the Emirate is the Sharjah souk. Built by the Cypriot contractor J and P, the souk is a landmark in the Emirate, and one of the most attractive and busy sbopping areas. Another locally owned project due to come on stream in the next few months is the Boorj Avenue, whicb was once destined to become the Wall Street of Sharjah.

Financed entirely by local banks, the avenue consists of 12 buildings all the same size and all majority-owned by members of the Sharjah ruling family. Proposed rents are between Dh 40 to 60 per square foot, and the banks are boping to earn around Db 800,000 a year from each building. Prospects for filling these Dh 10m blocks do not look immediately good, however, and the repayment schedule is now being stretched from its original eight years to 15.

One nf the successes in Sharjah is its port, which in its second year of operation is already handling just over 1m tonnes a year. The first few months of this year were given a considerable fillip by Iran cargo, and Sharjah, which actively chased the business, handled around 350,000 tonnes of this, more than Dubai. Special rates and tariffs were offered to promote this windfall.

But tbe future looks grimly competitive. Not only have UAE ports been bit by overcapacity; the recession has slowed down traffic generally and led to a slide in freight rates. Two years or so ago, door-to-door rates for a container from the UK to the Gulf were around the $3,000 mark, but now they are around balf that. The combination of declining rates and business led to the collapse of a major shipping customer of the Sbarjah Container Terminal, operator of Mina Khaled's purpose-built container facility.

A number of the principal bsckers of Medtainer Line, as the company was known, are also involved in the terminal operating company. This overlap has led to questions being raised about future operations, and major negotiations are noder-way at the moment. The uncertainty could not bave come at a worse time, for the opening of yet another port in tha UAE, Jebel Ali in Dubai, will necessitste a combined marketing effort.

Jebel Ali opened for business earlier this month and issued as its opening shot a proposed tariff which is around 25 per cent cbeaper on certain charges than other ports in the country. The Sbarjah container terminal bas made similar inducements to its customers and the Sbarjah Port Authority is also about to review its rates.

The port authority emphasises, however, that it is not about to get involved in a rate war. "We simply cannot afford it," said an official. There have been some attempts to create a co-ordination committee to involve all ports in the UAE so that this possibility can be averted.

Sharjah Emirate also had its second port opened this year—the Khor Fakkan facility on its east coast. It has 430 metres of quay and is equipped with third-generation gantry cranes from Mitsubishi.

The operators of the port, Marine Transport International, which is 54 per cent owned by the Sandi group of Ali Reza with the remainder held by Manchester Liners, has yet tn sign up one regular caller for the port. Since this Db 140m container facility opened in February, Khor Fakkan has handled 12 vessels and about 1,900 containers. A shipping service to Bombay is shortly to begin, operated by a 300 TEU vessel.

Another newly opened facility in Sharjab is its airport. This has in fact been operating for the last two years and passenger traffic last year increased 56 per cent to a total of over 94,000. Freight traffic was, bowever, particularly hampered by the ban on Indian livestock which was imposed following a cholera scare, and the volume bas gone down 22 per cent on last year to 6,477 tonnes.

Sharjah airport has for some time boped to become the cheap airport for the Gulf—cheap, that is, for both airlines and passengers. There bave been several attempts to get a cheap Gulf Europe service off the ground, and the latest move is being mounted by Air Intergulf and a local travel agency, with a run to Ostend.

However, the service and the airport generally is under pressure from several quarters. Gulf Air, which poses as the national carrier for the UAE (even though the only shareholder is the Abu Dbabi Government) is likely to try to stop such a service from beginning. Sharjah also suffers from unspoken pressure from Dhabi, which bas in the past made it clear to airlines that if they nse Sharjah, they cannot use Dubai.

But the airport has just signed up yet another carrier this month, Iraqi Airways, and three more regional carriers are due to begin services shortly. With the rapproachement between Dubai and Sharjah, presumably this kind of commercial pressure will come to an end.

Kathleen Bishtawi

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...trial projects hased ...i. Four bave been ... gencral cargo and ...lso two container

...iner terminal went ...n last month and ...en fighting for husi...petition with Port ...e is now the possi...he latter may lose ... major customers, ... Jebel Ali, wbose ...y is a subsidiary nf ...rican container ...ttempts are being ...o discourage com...tween the Dubai ...s now believed tbat ... agreement between ...o compete on dues. ...f a tariff sheet by ...rt authority sent a ... other ports in the ...nhling for their ... The possibility of ...mpetitinn based on ... close.

... of Dubai's brand ...ck standing empty ... an operator is also ...ot of adverse com... ship repair facility ...t in the world and ...kers which do not ...as for a long time ... name nf "white ... among foreign economists. Hnwever, the Arab Shipbuilding and Repair Yard at Bahrain is already working to capacity. Dubai's policy has always been that not only will there ha sufficient business for both of them wben the tanker business finally picks up, but that they will complement each nther.

Nevertheless, the negotiations over the appointment of an operator have now become controversially prolonged, and there is speculation that the companies which have expressed interest baulk at having to stock and maintain this massive dnck. C. H. Bailey of Britain is still believed to be in the running, but negotiations are still continuing, say officials, with the Korean Shipbuilding and Engineering Company.

Officials of the Ruler's office say there is no hurry to conclude an agreement with an operatnr until at least the end of this year, for the difficulties which have heen encountered with the cranes will take until then to be remedied. If, however, an nperator is not appointed until then, it will be several months more before the dock finally goes into operation, for it will take some time to recruit the workforce.

As for general trading conditions in the future, thera is mixed commant. Many are expecting a fillip to trading as Shaikh Rasbid attempts to generate quick results from his take-over of the Federal Government. Others question what can be built in Dubai, for the major projects of yesteryear have now all been completed, and no matter what new projects are initiated in the Emirate by the new Federal Government, they will be small fry compared with the earlier activity. Some bankers believe there will be an upsurge in commerce with Iran, and are boping that some Persian merchants will prefer to stockpile in Dubai rather than in their own country. Indeed, a number of local merchants are already receiving large orders from visiting Iranian businessmen.

Constructinn still absorbs about 25 per cent of all bank credit in Dubai, and projects which were conceived in boom times are now appearing on the Dubai property market almost at the aame time. The Dubai Trade Centre is attempting to market 39 floors of office space, while the local merchants are now about to launch their own massive projects. They include the Ghurair Centre, Diera Tower, and the huge Galadari hotel and residential complex. Prospects for any nf these devalopments do not look exactly promising.

Imports are recovering from the slow-down of 1977. Last year's figures show them just above the DH 12.7bn ($3.12bn) mark. Prospects for this year are considerably higher with imports running at about DH 1.3bn a month. But in the years tn come Dubai's commercial attractions will be severely tested if it is to maintain its premier trading positioo within the UAE in the face of increased activity in Abu Dhahi. Dubai has no equivalent nf Ruwais, and its merchants have found it difficult to gain a share nf the actinn generated by the massive prnjects of the Abu Dhabi National Oil Company.

The recent change in the alcohol laws will not help the Emirate's reputation fnr liberalism and welcoming foreigners, even though Dubai has merely fallen in with laws prevailing in other states. The completinn of many nf its projects bas meant that hundreds nf foreign families have already left. Dubai will have tn work bard to replace them in future.

K.B.

RAS AL KHAIMAH

Still hoping to find oil

OF ALL the seven Rulers of the United Arab Emirates, Sheikh Saqr bin Mohammed al Qassimi has been the most persistently independent minded of them all. His Emirate of Ras Al Khaimah was two months late in arriving in the federation, for at the time Sheikh Saqr believed that oil discoveries would pave the way to independence. The Ruler is still hoping for oil and his enthusiasm for the union has over the past eight years always been lukewarm, coloured by the suspicion that Abu Dhabi was attempting to extend its influence through the auspices of the federal Government, which it financed.

But the political events of the last three months have obliged Sheikh Saqr and other rulers to put their rhetorical support for the union into practical effect. As the people of the UAE blend increasingly together, crossing tribal and family ties, so they are asking their ruling sheikhs to do the same. The uncertainty bred by the Iranian events has only hastened the pace towards real unity and pressured the rulers to end their bickerings. Ras al Khaimah and its ruler will thus be obliged to go along with these sentiments, not least because of one factor—the Emirate is heavily in debt. If it were not for Abu Dhabi and the belief held by bankers that the capital would bail the Emirate out, Ras al Khaimah would have been dangerously close to bankruptcy long ago.

For more than eight years, Sheikh Saqr has been convinced that his Emirate would be blessed with oil. He has even managed to convince international bankers of the possibility, and a number of loans have been extended to the Emirate with this thought in mind, plus the certainty that Abu Dhabi would not, in the end, let the state default, which would reflect on the UAE generally. But, offshore exploration has yet to yield any commercial discoveries, and at one stage the Ruler was having to seek international finance to pay for the exploration programmes himself.

Today, Ras al Khaimah's debt can be estimated at around $500m. Local government officials lay much of the blame for the debts on the federal Government itself, for a number of projects were begun on the presumption that federal aid would continue. The Emirate's troubles did in fact start with a withdrawal of aid from the UAE Currency Board. Some three years ago, when the Board was under different management, an estimated Dh 1.1bn was loaned to Ras al Khaimah, under conditions which the Board's present management now believe were "inadequately appraised." Nearly three-quarters of that amount had been drawn and projects were well under way, when the bank squeeze came in mid-1977, and the monthly payments from the Board abruptly ended. Since then, the supply of funds from the capital has been a political carrot, for Abu Dhabi made it plain to all that it was not going to bail out rulers who had embarked on ambitious projects of questionable viability. Neither was the capital going to help out rulers who paid little more than lip service to the union.

Debts

The effect on Ras al Khaimah was dramatic, for the cut-off in funds from the capital prostrated all economic activity in the Emirate. The halt was visible to all — the Intercontinental Hotel stopped construction, question marks hung over the port project which was under way, and the debts to local contractors began to mount up. At the same time, the ruler had also sought a number of loans from outside to finance industrial projects. Lazards and other banks put up $20m to pay for oil exploration and the lime kiln factory. The cement company, which is majority owned by the local Emirate government also financed its £40m expansion plan with the help of Kuwait and international sources. As with other Emirates, it is not clear whether these investments have been made in the name of Sheikh Saqr or in the name of the Ras al Khaimah government, for as yet, the two are indivisible. Local officials maintain it is government investment, but the point is significant when considering possible sources of income for the Emirate.

The slight pick-up in trade which other Emirates have experienced in recent months has not happened in Ras al Khaimah. A number of the Emirate's merchants have left to set up in other more commercially active sheikhdoms, and large numbers of Western expatriates have also left. Bank managers in the Emirate say the majority of their business is keeping companies alive through this gloomy period. Few are able to even hazard a guess on the possible sources of revenue for Ras al Khaimah Government, for no figures or budgets are ever published. What is known is that the last assistance the Emirate received from Abu Dhabi came last December when $100m was paid in a series of three tranches over the same number of months. Part of this money went to pay off the local contractors. The industrial projects will not be yielding dividends for some years to come because the initial capital investments costs have to be written off. In short, many UAE bankers profess to be mystified as to how Ras al Khaimah earns any noteworthy income at all.

The worsening of the economic problems came at a time when the Ruler took a stance alongside Dubai to protest what it saw as Abu Dhabi pressure, following the publication of the joint memorandum of the federal Cabinet and the National Assembly. Like Dubai, it saw the memorandum as a threat to the very foundation of the state, and subsequently decided to stay away from the Supreme Council meeting which had been called to discuss it. Ras al Khaimah interpreted the demonstrations which took place in the capital as evidence of the pressure which was being applied on the northern rulers to toe the line.

His absence from the meeting stimulated demonstrations in Sheikh Saqr's own Emirate. Some 200 people, say officials, gathered noisily outside his palace toting placards and slogans calling for "real" unity in the country. They were also carrying portraits of Sheikh Zayed of Abu Dhabi, and more ominously of Sheikh Khalid, the Ruler's son. A committee of 30 citizens also called on the Ruler to ask for a greater say in the economic running of the Emirate and for his acceptance of the sentiments expressed in the joint memorandum. It was a difficult moment for Sheikh Saqr who has been a ruling Sheikh of his people for more than 30 years. Another factor was that his army is paid from the federal Government. Many Ras al Khaimah citizens were openly discussing the possibility of the Crown Prince taking over, in the hope that the younger son would be more flexible in his attitude towards the federal Government. Sheikh Khalid already has a reputation for being able to procure money from the capital.

But family unity was staunch in the face of this challenge from local people, and though there are reports of continued arguments and negotiations about the future style of leadership of Sheikh Saqr within it, the possibility of Sheikh Khalid being forced even unwillingly to the fore has faded. The committee of 30 citizens is holding off until the outcome of the new federal Government is settled.

Ally

Ras al Khaimah has taken great hope from the fact that its ally, Dubai, now holds the post of Prime Minister and controls the federal Government. With an ally at the helm in the capital Ras al Khaimah can be expected to show greater co-operation with the union than hitherto. Indeed, it is looking to Dubai Ruler to help alleviate the economic problems of the Emirate. Government officials point out that well over Dh 1bn has been spent on the provision of water and electricity, and Sheikh Saqr had already expressed his willingness to hand these facilities over to the former administration. However the previous federal Government expressed reluctance to take over the plants, pointing out that it wished to absorb only plants which had a chance of profitability—almost an impossibility in the UAE. With Sheikh Rashid in power now, it is likely that the federalisation of the water and electricity in Ras al Khaimah will be speeded up, and although the ruler was originally asking for compensation, he is now willing to hand them over without this, so as to relieve the local government of what is proving a heavy burden.

The ruler is also hoping that some other projects may be "federalised." They include the £6.5m earth station which was built, the hospital which lies 50 per cent finished, having run out of funds, and the water supply provision.

In the meantime, the hunt for oil continues. Offshore, the search by the former Ras al Khaimah group has been abandoned. Last April, however, Delta Exploration, a subcontractor to Gulf Oil, began a seismic survey of an area stretching from five miles offshore to the mountain range of Jebel el Rnus inland. The survey is expected to be finished by next month, and the findings will have been assessed by October.

Although no oil discoveries of commercial viability have yet been found, Ras al Khaimah has made excellent use of the natural resources it does have. Its aggregate is the finest in the Gulf and has been used extensively in the Jubail projects in Saudi Arabia. Last year the Ras al Khaimah Rock Company exported some 3.6m tons of crushed aggregate, and with Jubail now complete and a depressed market in the Emirates, the company is now eyeing the Bahrain causeway project with interest.

Another well-established industry in Ras al Khaimah is the Union Cement company, which is owned by the Emirate government and Abu Dhabi, and managed by the Norwegian company, Norcem. The plant has now undergone a doubling of capacity to 1m tons a year.

Ras al Khaimah is to gain yet another cement plant with the start of construction of the Gulf Cement Company, which is owned by a number of UAE nationals and Kuwaitis. The plant is being built on a turnkey basis by Ube Industry of Japan, which also has a five year management contract for the plant's operation. Finance for the plant, which is projected to cost $131m, has been arranged by the industrial banks of Kuwait and Japan. Production capacity is 1m tons, and like the Union Cement Company, the plant will be producing sulphur-resistent cement according to market demand. The end product has already been sold to two Kuwaiti companies, Omrania Co and Cement Kuwait.

Another project which looks like being an immediate success is the Ras al Khaimah Lime factory, which is just started producing 500 tons of hydrated lime a day. Ras al Khaimah is reputed to have the best quality lime for thousands of miles around, and its resources are renowned throughout the building trade in the Middle East. The plant has cost $20m to build and was partly financed by the syndicated Eurodollar loan and partly by its shareholders, which include 60 per cent ownership by the local government and 40 per cent by Syrian and Lebanese entrepreneurs.

All these projects in Ras al Khaimah have made maximum use of the Emirate's natural resources. Their success is also aided by the nine-berth port which although not totally complete, has been able to handle all local exports. The port is now being managed by Gray MacKenzie, and although there are no storage sheds or shore side cranes, the port was able to handle some 20,000 tons of Iranian cargo earlier this year.

Neither Abu Dhabi nor the new federal Government is likely to allow Ras al Khaimah's financial problems to continue but neither are they likely to flood the Emirate with funds just to bail out the government. Unless oil is discovered (which is always a possibility in such an area as the Gulf), the Emirate will continue to make maximum use of the abundant natural resources, but it may not be the boom town its Ruler may hope for. It may, as some bankers predict, sink back into being an Arabian coastal village once again. But like Oman the Emirate has one important factor in its favour—its strategic position. Naturally, all are interested in preserving some measure of prosperity and therefore stability, in this northern corner of the Emirates. The new Prime Minister, just like the former administration, will also be interested in bringing the Emirate more into the mainstream not only of development but of union politics as well.

K.B.

OTHER EMIRATES

Disjointed economies

POSSESSING NO oil, Umm al Quwain, Ajman and Fujairah, the three poorest emirates, have had to scratch hard even for semi-viable projects. Their economies are disjointed as a result.

Each has had different experiences in attempting port development. Efforts at quarrying have been overshadowed by Ras al Khaimah's successful production of rock for the UAE market and for export. Few new projects have had complete success: several have been failures. The traditional activities, fishing and agriculture, have been steered a shaky course.

Politically, the second league emirates have different complexions. Ajman has always had closer relations with Abu Dhabi, whose ruler Sheikh Zayed has always been willing to help out personally when the ruling family has been in financial difficulties.

Umm al Quwain has never been on the best of terms with Ajman or Abu Dhabi but gets some support from Sheikh Rashid of Dubai. However, its ruler traditionally played a mediating role between Dubai and Abu Dhabi and his son was involved in the Kuwait-sponsored mediation prior to Sheikh Rashid of Dubai becoming prime minister.

Isolated Fujairah, whose young ruler Sheikh Hamad bin Muhamed al Sharqi, attended Hendon Police College, is in the happy position of having good relations with all the emirates and the federal government.

Fujairah: Its ruler had long resisted the temptation of development for the sake of prestige, but has finally succumbed with the construction of a nine-storey office block.

The chairman of the Fujairah Insurance Company, which put up the building opposite the elegant three-storey, all-purpose municipal building-cum-ruler's office, claims shamefacedly that he didn't want a tall block but succumbed to pressure from other members of the board.

Life in the emirate has been transformed by the completion of the road network. This has brought hospital facilities within reach of the villagers, and expands the market area for farm produce and fish. Telephone lines have doubled in number since last year and villagers are starting to accept the federally-funded low cost housing.

One effect of the surge of modernisation has been a drift from the land to the capital. Farmers often prefer to live in the town and employ Pakistani or Baluchi workers on their farms.

The economy is a hotch potch: no oil (but Reserve Oil and Gas are still looking); agriculture and fishing have suffered setbacks; 20,000 people are served by 12 banks in Fujairah town. The new port is delayed but at last out to tender in a scaled-down two-berth version. The Dh 15m fishing harbour given by Sheikh Rashid of Dubai now enables local fishermen to use larger boats, but a fishing and canning joint venture with Japan has collapsed after a dispute over sharing the 10 tons a day catch.

Two marble and tile factories owned by the Ruler and his chief minister are successfully producing but having difficulties marketing the stone. The new bottling factory for spring water near Dibba faces competition from Ajman's Gulfa Water. A joint venture shoe factory with a British company, J. R. International, should have less trouble marketing when it begins production next year because its Fujairah partner has a chain of shoe shops in Dubai.

Weekend tourism has developed since completion of the road network and both hotels, the Beach Hotel and the charming three-storey Hilton, have benefited. The Beach Hotel is profitable but vulnerable because it makes much of its money on sales of alcohol to the local population which is becoming distinctly unfashionable.

The Hilton has managed to turn huge operating losses into extremely modest profits by cutting expenses and aiming at the cheap weekend package. Sadly, it is likely to lose both the few regular company clients and its weekend holidaymakers when the Khor Fakkan Holiday Inn opens up the road in the Sharjah enclave after the summer.

Umm al Quwain: In contrast to the relaxed openness of Fujairah, Umm al Quwain cherishes its independence. Its palace guard, complete with Scorpion tanks, is supposed to have integrated with UAE's armed forces but there are few signs of this actually happening. The 17,000 inhabitants of the 300 square miles emirate have their own TV and radio station.

The ageing Ruler, Sheikh Ahmed bin Rashid al Mo'alla, in charge since 1929, appeared in public for the first time recently after being in a long coma—surprising those who had said

CONTINUED ON NEXT PAGE

BALANCE SHEET AS AT 31st DECEMBER 1978

	Dec. 78 DH	Mar. 78 DH
Share Capital	15,000,000	15,000,000
Reserves and unappropriated profit	12,614,992	7,036,642
Shareholders' Funds	27,614,992	22,036,642
Current Deposit and Other Accounts	415,687,444	396,280,442
	443,302,436	418,317,084
Acceptances, Confirmed Credits and Guarantees on behalf of Customers	79,429,370	83,561,006
	522,731,806	501,878,090

	Dec. 78 DH	Mar. 78 DH
Cash Balances with Banks	11,728,032	4,695,332
Deposits with Banks	144,140,000	137,146,700
Statutory Deposits	6,900,103	6,889,148
Investments	500,000	500,000
Loans and Advances	277,991,711	265,161,765
Fixed Assets	502,992	581,951
Other Assets	1,539,598	3,342,188
	443,302,436	418,317,084
Customers' liability for Acceptances, Confirmed Credits and Guarantees	79,429,370	83,561,006
	522,731,806	501,878,090

BUSINESS CONDITIONS

[N]eed for the West

[AN]ALYSIS of business in the United Arab (UAE) has to take at a factor of funda[mental im]portance—the Federa[tion is] not a homogeneous community. Dubai [was a thriv]ing mercantile centre [in the p]re-oil days when the [o]ther six Emirates [were] little more than [hamlets]. Dubai's business was a product of [perc]eptive reading of conditions by its [merchant] class in a region well beyond its own. At times the line [between le]gitimate trading and [smuggling] became blurred, but [the succe]ss of the Dubai [business] community was [based on] trading instincts.

[The] business growth in [the other] six Emirates was a [prod]uct of the expendi[ture of mon]ey by the respective [government]s, money either [from] the export of crude [(Abu D]habi) or borrowed [heavi]ly against hopes of [oil] revenues (Sharjah [and Ras al] Khaimah) or as a [Fe]deral Government or [other] grants (Ajman, [Umm al] Qawain, Fujairah). [The] growth in Dubai [was] primarily motivated [by] trends in the region. [Oil] revenues, when they [came,] accelerated the rate [b]ut never supplanted [the role o]f the market as the [motiv]ator.

[Th]e Dubai mercantile [community] profited from the oil [ex]penditures of Abu [Dhabi], Oman and Qatar, [and] were organised to supply a whole [range of] goods from heavy construction equip[ment to co]nsumer durables and [go]ods more rapidly and cheaply than [com]petitors in other [Gulf] and countries. [They] have continued to, though declining [in share] of Dubai's trade [over] the last decade, just [as] from Dubai have [an ed]ge on the trade [of the] other Emirates and [neighbourin]g countries.

[Stat]us

[Merchant] communities in the [other] Emirates have [devel]oped as local busi[ness an]d merchants have [to] varying degrees [e]mulate their cousins. Some of the more [successful] have settled in [Dubai wher]e they have found [the settlem]ent and a stimulus [to] development more than in their origin.

[Dub]ai merchants them[selves have] grown in strength [and sophisti]cation as their bank[ing ha]ve expanded. Their [reach an]d extends now from [...] to London, and [many of th]em have developed [the] classic import [agency, as] specialists in re-ex[port], or partners in joint [m]anufacturing and [con]cerns with Western participation. The typical merchant now is likely to head a large operation, and to employ expatriate executives, accountants, technicians and specialists in a business which will embrace warehousing, assembly and simple manufacture and which serves the Gulf and Iran.

Although the situation in Iran remains confused, the merchants of the UAE, and especially of Dubai have found avenues for profitable business there. For example, a prohibition on the import of American cigarettes by Iran did not of course stop the local demand for those cigarettes. UAE merchants bought up every consignment of American cigarettes they could find, buying as far afield as Hong Kong and shipping them in dhows to quiet bays along the Iranian coast.

How do the businessmen of the UAE see a world in which oil from the Gulf fetches $20 a barrel or more on world markets, and how do they see business conditions developing in the Emirates and in the Gulf generally? Few believe that a return to the hectic and highly profitable days of 1974 and 1975 is probable.

Five years ago business was stimulated—perhaps overmuch—but domestic government expenditures on projects, and especially infrastructure projects. Those were the days of superlatives, when even the most cautious amateur businessman made profits, and where the canny few at the top made millions. Paradoxically, this expenditure by governments in the name of "development," "modernisation," "catching up," and, especially "asserting independence" has in fact increased the dependence of the Gulf countries on the industrialised West.

Business in the UAE is thus no longer a matter for either the innovative mercantile flair of the men from Dubai or the expenditure of the Government of Abu Dhabi alone. World business conditions, and especially international inflation, are just as much a concern of the UAE business community as they are of businessmen in London, Paris or New York.

Attempts by the industrialised nations to break out of the recession, or semi-recession situation which has affected international business since 1973 have in general not succeeded, as increases in output have been matched by increases in inflation. The UAE experienced staggering rates of inflation during the oil boom; precise figures do not exist but some observers put the rate in excess of 50 per cent in 1976.

The UAE Currency Board says that its own admitted rough estimates put the inflation rate in the UAE at 25 per cent in 1977 and at 20 per cent in 1978. In its December 1978 report, the Currency Board cautiously suggested that combined restrictive fiscal and monetary policies should cause the inflation rate to "continue to be kept under control and further reduction in prices should continue to be a basic target for 1979." Cynics might argue that the Currency Board's policies had little to do with the slow-down in the rate of inflation in the UAE, which was very much more a function of the slackening in the world rate of inflation and the general slowdown in the rate of growth in the Emirates.

The Currency Board itself noted that the Government of Abu Dhabi, for example, had registered a virtual nil rate of increase in spending in 1978, thus to a great extent compensating for the increase in Federal expenditure over the same period.

Another constraint on unfettered business growth in the UAE is the Federation's fragile political structure. Fewer Prime Ministers-designate in history can have taken as long to form a Government as has Sheikh Rashid this year, and hence fewer communities can have, apparently at least, managed quite well for so long without a formal Government.

Perhaps the delay is an act of commercial subtlety on the part of Sheikh Rashid, a man who believes in the minimum of Government interference in business. His task as executive head of the Government of the UAE will require all his undoubted acumen if pressures for greater Government control of the business community are to be resisted.

Anxiety

For example, following the revolution in Iran, the UAE's Federal National Assembly and its then Council of Ministers issued a joint memorandum in March of this year after a series of meetings in which they discussed the then current political situation and general outlook of the Emirates. In a section headed "The National Economy" the memorandum said: "A phenomenon which provokes great anxiety is the phenomenon of foreign penetration of the economy and of foreign capital and skills, in an unequal and wrong competition with local capital and skills."

In a sense this memorandum says nothing new. In that it has long been a favourite complaint of many indigenous people in the UAE that "foreigners are running the country" and in that a time when foreign influences in Iran were under attack would seem like a good time to say it again.

No element of the present commercial scene should be given more consideration than this question of foreigners in the country, either by local businessmen or by foreign businessmen involved in the Emirates. The fact is—and all thinking local businessmen know it—that foreigners are an essential part of business activity in the UAE, both as manpower and as creators of demand.

Foreigners occupy a large proportion of new houses and flats, paying high rents to local landlords, foreigners buy a wide range of consumer durables and luxury goods, imported by local businessmen, much of it for eventual export, foreign companies pay high rentals for office space in new high rise office blocks, and foreigners in short, provide the intellectual and physical muscle that brings profits to UAE businessmen. For all that, the history of the Middle East is not short of examples of the slaying of geese that lay golden eggs.

Apart from ensuring that rational policies of government are not swept away in a wave of popular emotional extremism, the room for direct government intervention to stimulate business activity in the UAE is not great and, it can be argued, is probably not even desirable. There can be no repetition of the massive expenditures of 1974-75 on infrastructure projects, if for no reason other than that there is no more room for major highways, harbours, airports, housing projects and hotels. There could be some expenditure in Abu Dhabi on industrial projects, but nothing approaching the scale of five years ago.

Thus the UAE will need to rely on market conditions to stimulate demand, and with Sheikh Rashid as Prime Minister, the whole business community of the six Emirates could tread the road made by Dubai in its pre-oil days, and profit as an international trading centre, the emporium of the Middle East and the Indian sub-continent.

Restrictions imposed on trade by other countries in the region have long been a challenge to Dubai's merchants to find ways to supply, at a competitive price, the goods shut out by the barriers of other governments. "You can buy whatever you want at a good price in the UAE" could well become the business philosophy of an international trading community in the Emirates.

Thus foreign businessmen may wish to look beyond the traditional exporter-agent relationship which is still the hallmark of much business in the UAE and look for joint-venture merchanting operations. The UAE does still provide an almost completely free commercial environment, with no taxes, no exchange control, nominal customs duties, good communications and good quality housing and office space at rentals being forced down by competition.

The market to be served by such joint ventures stretches at least from Suez to Singapore. It is a market having probably a higher degree of risk of short-term interruption than ever before but it is a market where well developed commercial instincts stand to make considerable profits.

John Townsend

[Ot]her Emirates

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[...] Sheikh Rashid had [...] rate has not escaped [...]en over. Economic [...]t has come slowly [...]es of speculative [...]

[Umm al] Quwain has recently [...] building wharfage [...]ng the harbour to [...] But this has not [...]out the hoped for [...]n dhow traffic and trade.

[...]r a chicken farm [...]uction at Falaj al [...] The Ruler owns the farm which pro[duces ...] and eggs for the [mar]ket. However, the [...] been hampered by [...] problems.

[In t]he absence of any [...]vantages Umm al [Quwain is] intent on developing industry. Hopes for a cement plant seem to have been forgotten but last month the asbestos factory at Assarra, on the Fallaj al Mo'alla road, was inaugurated. The plant uses Italian equipment and will make asbestos pipes for use in UAE. It cost Dh 80m and at full capacity could produce 20,000 tons of piping a day.

The Emirate is still pinning its hopes, perhaps unrealistically, on gas. The Emirate receives a 30 per cent share of Sharjah's tiny oil income but apart from this had no signs of hydrocarbons until two years ago when Zapata Oil struck gas 15 miles offshore at 15,000 feet down. Zapata has 10.7 per cent of a concession held with Canadian Superior (46.4 per cent), Adobe (10.7 per cent) and Anadarko (10.7 per cent).

Flushed with high hopes, Umm at Quwain began talking to Dubai about supplying gas to its aluminium smelter, although the test well showed only 41m c.f.p.d. A step out well was found dry at 18,700 feet in September 1978, and further drilling to prove the field would cost an estimated $35m. The Emirate is hoping to raise the money to finance further exploration but the gas appears to be too little to justify the costs.

Ajman: Its rivalry with Umm al Quwayn is symbolised by its ruler, Sheikh Rashid bin Humayd al Nuaymi, who took power one year before his neighbouring ruler in 1928. This makes him the longest serving ruler in the world. His son Sheikh Humayd runs most of the political and economic affairs but the old man, a swashbuckling figure who regales visitors with bloodthirsty tales, remains titular head.

Hopes

The economy has never gone quite as well as was hoped. Ajman wanted to be a dormitory town for Sharjah, an aspiration which was knocked on the head by Sharjah's failure to develop as intended. A beautiful port with 4 km of industrial wharf, two slipways out of three completed, and a dry docking and repair operation stand empty.

Only two oil service companies, Haliburton and Construction Metalique de Provence, have set up in the waterside development zone. Cargo sheds being built look as if they will remain empty.

The dry dock and repair facility is the only obvious success. Run as a joint venture with the Japanese company, Modek. Mitsui, Ajman Heavy Industries takes small and medium-sized vessels. It is fully booked until October, having established a first-class reputation for punctuality and accurate advance estimates of cost.

There are other bright spots in the economy: dhow construction, a craft practised by Ajmanis for centures, continues from its new site down the beach where it was moved to make way for the new harbour. The spring water bottling operation at Masfut makes a profit as does the modern colour-processing laboratory owned by United Colour Film, a local company in Ajman.

An earlier failure, that of the Ajman Arab Bank, seems to have been overcome. The original bank, owned by the rulers' family (40 per cent), WFC corporation of Miami (40 per cent), and UAE shareholders (20 per cent), collapsed in 1977 after a run on deposits.

It has now re-opened as the First Bank of the Gulf after agreement between the UAE Currency Board and the original owners. The new capital is Dh 80m put up by 22 founders, eight from UAE, 13 from Kuwait and one from Bahrain.

Ajman has the highest proportion of private investment in the three poorer emirates. Statistics from the Ministry of Planning on gross fixed capital formation show 1978 investment at Dh 323m and 1979 estimates at Dh 326m. Federal funds make up most of the investment but business investors put up Dh 167m and will put up Dh 171m this year.

This reflects the number of tiny industries and workshops in the industrial zone of Ajman and the larger projects already mentioned. Local industries include furniture-making, small plastics industries and an operation which makes British "Silent Night" sprung mattresses under licence.

M.T.

BANKING

Big loans on property

WITH ONE bank branch for every 2,500 inhabitants, the United Arab Emirates must rank as one of the most over-banked countries in the world. There are 52 commercial banks open for business in the UAE with a total of 350 branches; 31 of these banks are foreign, with 245 branches. Two other foreign banks, the National Bank of Bahrain and the Qatar National Bank, were issued licences during the banking boom but understandably have not been in any hurry to open their doors for business.

According to the UAE Currency Board, ten of these banks account for two-thirds of total banking business in the Emirates. Two are local, the National Bank of Abu Dhabi and the National Bank of Dubai, and both attract a great deal of business as the principal government bank of their respective Emirates.

Among the foreign banks, those well established in the Gulf, with first-class international reputations and outstanding local management, continue to attract deposits and to win a significant slice of business. Other foreign banks — for example, those of India, Pakistan and Egypt — have a lucrative if unexciting business in handling the remittances home of their respective nationals.

When all these are counted, there remains a hard core of banks, both local and foreign, whose operations in the UAE are unlikely to be profitable and which must view the future with some misgiving.

Rescue

The clouded crystal ball view of prospects has not, however, prevented a group of Saudi Arabian and Kuwaiti businessmen from mounting an operation to rescue the Ajman Arab Bank, the main casualty of the May 1977 banking crisis. Now reopened for business, and renamed First Gulf Bank, it is increasing its capital from Dh 100m to Dh 120m and 2m 10-dirham shares are being offered for public subscription in the UAE.

The aggregate balance sheet of the 52 banks shows a continuing expansion of business, but at a much more moderate rate than at any time over the last six years. In the words of UAE Currency Board managing director Mr. Abdul Malik Al Hamar, "the euphoric phase of 1974-77, for the banks as for the economy, is ended."

DOMESTIC BUSINESS CREDIT
(Dh m)

	ABU DHABI Sept. 1977 Amount	%	Sept. 1978 Amount	%	DUBAI plus other emirates Sept. 1977 Amount	%	Sept. 1978 Amount	%	TOTAL UAE Sept. 1977 Amount	%	Sept. 1978 Amount	%
Agriculture	18.0	0.32	38.6	0.51	14.1	0.12	20.2	0.15	32.1	0.19	58.8	0.28
Mining and quarrying	85.3	1.50	421.6	5.55	13.1	0.11	34.9	0.26	98.4	0.57	456.5	2.15
Manufacturing	379.6	6.67	180.2	2.37	770.2	6.74	801.3	5.87	1,149.8	6.72	981.5	4.62
Utilities	—	—	—	—	191.7	1.68	755.5	5.53	191.7	1.12	755.5	3.55
Construction	2,554.8	44.86	3,806.5	50.10	2,641.7	23.13	3,346.0	24.50	5,196.5	30.36	7,152.5	33.65
Trade	1,975.0	34.68	2,170.6	28.57	5,610.1	49.12	5,510.8	40.35	7,585.1	44.32	7,681.4	36.14
Transport, etc.	164.6	2.89	233.2	3.07	163.6	1.43	177.7	1.30	328.2	1.92	410.9	1.93
Other financial	33.3	0.58	38.5	0.51	99.9	0.87	138.4	1.01	133.2	0.78	176.9	0.83
Government	20.8	0.37	88.5	1.16	1,250.3	10.95	1,928.7	14.12	1,271.1	7.43	2,017.2	9.49
All others	463.2	8.13	620.6	8.17	666.1	5.83	943.2	6.91	1,129.3	6.60	1,563.8	7.36
	5,694.6	100.00	7,598.3	100.00	11,420.8	100.00	13,656.7	100.00	17,115.4	100.00	21,255.0	100.00

Source: UAE Currency Board

Interesting trends in the consolidated balance sheet are the decline in government deposits and the increase in foreign liabilities. The only Governments with significant funds to deposit are those of Abu Dhabi and Dubai. Abu Dhabi has continued to carry the burden of federal budget but its own domestic expenditures has recently stagnated and its foreign investments, through the National Bank of Abu Dhabi and the Abu Dhabi Investment Company, are increasing rapidly. The Government of Dubai, meanwhile, spending its oil and other revenues as fast as it receives them, has been a big borrower on the Euromarkets.

An analysis of domestic bank lending in the UAE shows that, nationally, almost 70 per cent of all credit is to finance trade or construction and a further 9.5 per cent is in the form of loans to governments. The tendency is towards more lending to finance construction and to governments, and less credit for trade, a disturbing trend in that trade, rather than yet more building, would seem to be more likely to stimulate the economy and assure the long-term future of the Emirates.

When bank lending is broken down regionally, lending for construction in Abu Dhabi alone is in excess of 50 per cent of the total, with the finance trade making up some 28.5 per cent of commercial bank lending and lending to governments little more than 1 per cent. (The Government of Abu Dhabi has no need to resort to commercial banks to finance its operations). For Dubai and the other Emirates together (figures for each individual Emirate have not been released) the financing of trade makes up over 40 per cent of bank lending, compared with over 50 per cent in past years, and construction 24.5 per cent, a share which is tending to rise.

Included in the northern Emirates construction lending is, of course, the substantial loan to finance Sharjah's property development and large complexes in Dubai such as A. W. Galadari's enormous shopping and office complex. Lending to governments by the commercial banks in Dubai and the northern Emirates is over 14 per cent of the total, reflecting large borrowings by Dubai's Sheikh Rashid to complete his Trade Centre and to finance the Jebel Ali project, as well as borrowings by the rulers of Sharjah and Ras Al Khaimah.

Inflated

A significant proportion of the commercial bank lending for construction is covered by the building of high rise offices and apartments in Abu Dhabi and Sharjah which are now completed but still awaiting tenants. In the near future there would not seem to be hordes of expatriates prepared to pay the high rentals necessary to pay off the relevant bank loans rapidly. In the peak days of the construction boom the property speculator in the UAE could expect to get his money back in two or three years. Some UAE banks are holding property and construction loan portfolios valued at highly inflated figures, with little immediate hope of getting their money back.

In other societies, banks in such a position would probably foreclose and there would be a rash of bankruptcies. The UAE business and banking community is not prepared for the shock of such action and the banking crisis of 1977 acts as an inhibiting memory, precluding draconian initiatives.

Yet the community, and especially the Abu Dhabi business community, is deeply aware that it has a serious problem. In December, 1978, Sheikh Zayed issued an Abu Dhabi Amiri Decree establishing a Real Estate Bank with a capital of Dh 1bn. Legally this decree should only have effect in Abu Dhabi, where, as at the end of September, bank credit for construction totalled Dh 3.8bn, with over Dh 3bn of this amount being for the construction of buildings.

Many people assumed that the decree would ultimately, if not immediately, be reissued as a Federal Decree. Precise details of the objectives and mode of operation of the proposed Real Estate Bank—if it materialises—will be awaited with interest. Some observers see it as a means of bailing out the Abu Dhabi business community from an embarrassing situation rather in the same way that the Government of Kuwait mounted a rescue operation to save Kuwaiti investors after the collapse of the Kuwaiti stock exchange boom at the end of 1977.

Perceptive bankers in the UAE point out also that a large proportion of bank deposits are essentially short-term. Although the UAE business community has not the same Koran-inspired mistrust of interest, and hence preference for demand deposits, as has its brothers in Saudi Arabia, most businessmen have a strong preference for maximum liquidity in those funds they keep in the UAE. This is in keeping with the traditional business ethic of the community, which looks for profits on dealing and trading, and thus likes to have liquid funds available to finance deals as they are concluded.

Debate

It is a matter for debate whether developing communities and developing economies should have sophisticated institutions tailor-made to their requirements and set up to provide a framework for orderly economic growth, or whether these institutions should be set up only when there is a perceived need on the part of the community concerned. The argument for a central bank in the UAE provides a classic example for such a debate. Conventional international banking wisdom suggests that countries should have central banks whose prime functions should include "maintaining a financial environment conducive to steady economic development."

The UAE Currency Board was set up in 1973 as an embryo central bank. Lacking adequate powers, and possibly not always blessed with the most prudent management, its influence on the orderly development of banking and on "steady economic development" in the UAE was minimal. In fairness, the Currency Board was not helped by the ambiguities of the UAE's federal structure. In any case, the Board was powerless to prevent the 1977 banking crisis.

Subsequently, the degree of confidence with which it is viewed by the Federal Government of the UAE is revealed by the fact that for the first eleven months of 1978 it received no foreign currency from that body. Had it not been for the support of the Government of Abu Dhabi, exercised through the National Bank of Abu Dhabi, the Currency Board could have been placed in an extremely difficult situation.

In the immediate wake of the 1977 banking crisis a central banking law for the UAE was drafted by International Monetary Fund experts. Possibly influenced by the free-for-all which led up to the crisis the law was perhaps too ambitious and put too much power in the hands of the proposed central bank. Be that as it may, the proposed law establishing a fully fledged central bank has not yet been approved by the Supreme Council, consisting of all the seven rulers, and the ultimate constitutional authority in the UAE. The law's Article 41 spotlights the basic constitutional problem of the UAE: the relationship of federal institutions with the governments of individual Emirates.

Naturally, the Currency Board itself wants the central bank law ratified and implemented. In addition to giving it (the Board) a professionally more satisfying and worthwhile role locally, the establishment of a fully-fledged central bank is seen as a necessary step in enhancing the international status of the UAE. This view is supported by a growing number of younger citizens of the Federation, who regard the failure to pass the banking law as another manifestation of a sheikhly system which is becoming anachronistic. Their elders reply that they have managed quite well so far without a central bank.

Another argument for a central bank with adequate powers in the UAE is that such an institution could be a catalyst for other financial institutions and thus help develop a genuine capital market in the federation. As mentioned earlier, most businessmen in the UAE look for liquidity: it must also be said that even if they did want to put their funds into less liquid forms of savings, the opportunities locally for them to do so are almost non-existent. In addition, local interest rates do not always reflect market conditions and are seldom attractive enough to encourage term deposits.

Finally, the dirham, like other Gulf currencies, suffers from the lack of depth of its market, and hence the risk of sudden shortages and gluts. Although a central bank would not automatically provide the necessary institutions or ensure the necessary stability to correct this situation, its very existence could help considerably.

Another mooted institution on the UAE banking scene is an Industrial Bank. Loans for manufacturing industry currently represent about 4.6 per cent of total commercial bank lending and total some Dh 980m. The logic for such a bank is clear; infant industries of the type likely to be viable in a local or regional context in the Gulf cannot afford to be saddled with shorter term and relatively expensive financial obligations.

The constraint which might argue against the establishment of such a bank, a constraint which is likely to inhibit local bank lending in the UAE over the course of the next few years, is a simple one; there are not enough projects. In Dubai and in the northern Emirates there are no new major projects on the drawing boards or at a stage where any sensible credit discussions can take place. Only in Abu Dhabi are such projects being planned, and these are limited to the Ruwais complex where the State Government itself is the entrepreneur. There is an absolute shortage of demand in the market place for private sector industrial projects, of entrepreneurs interested and skilled enough to foster such projects, and of managers, technicians and

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AGRICULTURE

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a view is prevailing, especially in Abu Dhabi, that grains are a strategic crop which ought to be produced. Abu Dhabi started experiments with wheat production two years ago at Al Ain, the UAE's half of the Buraimi oasis, where most of Abu Dhabi's food comes from. Dr. Ali al Ayadi, director of the municipal Department of Agriculture in Al Ain, has three aims for agriculture in the oasis area: vegetable production, forage for animals and grain production for strategic reasons.

Dr. Ayadi explained: "Grains are totally tied to water supply but why not try them? Unlike industry there is a sure market for agricultural produce. There is no market for barley but we grew wheat on 200 hectares in 1978. This year we will double it and in 1980 we will expand to 600 hectares."

He claims that yields for wheat last year ran as high as 4 tons per hectare, higher than in his native Tunisia, and that the department got back 80 per cent of the costs. Both claims are hard to believe. Even a claim of mean production of 3 tons is doubted by experts in the federal Ministry of Agriculture. Dr. Ayadi denied that his work is subsidised. If so one must presume Abu Dhabi's department of agriculture has different methods of costing from economic norms.

Abu Dhabi also has one of the most expensive agricultural research stations in the world on Sadayat Island. It is the only place in the world producing vegetables from sea sand. Cucumbers, peppers and tomatoes are produced for sale on the local market, but the location is so expensive that no indications of economic feasibility can be gained.

A hydroponics experiment has been abandoned because of the rapid spread of disease through the fluid solutions which fed the plants. The general lesson from Sadayat is that an island location with high humidity and heavy corrosion in the cooling equipment is unsuitable for commercial application. Compagnie Francaise du Petrole (CFP), however, has had more practical success at an experimental station outside Al Ain. Using a combination of greenhouses, shaded areas and open fields, the CFP farm tries to show how the vegetable season can be expanded by successive plantings of cucumbers, tomatoes, etc. under different conditions according to the time of year. Encouraged by the results the Government is participating in a new joint venture with a French company, Serres Fleuries, to apply the CFP lessons commercially.

Poultry experiments have suffered from the same problem as high-technology vegetable production—disease. As fish protein becomes less and less fashionable, efforts have been made to increase poultry and egg production. The market can take all the fresh eggs and white meat available (as it does milk from Digdagga experimental dairy farm), but commercial viability is still in question. A small poultry farm produces eggs and chicken meat in Fallaj al Moalla (in Umm al Quwayn territory) but veterinary and disease prevention problems have not been overcome. A larger project with 350,000 hens between Dhaid and Sharjah started two years ago and is now making a profit, and an ambitious 400,000-bird project in Ras al Khaspmah is due to begin in 1981 with Kuwaiti capital.

The social aspects of farming are equally important in the minds of Government officials. Two years ago Rashid Salem was living in the desert in a crude "birasti" shelter with his wife and five children. He still has 20 camels, four cows and almost 100 goats, but now he also possesses a four-roomed house with a courtyard back and front and his own neatly laid-out 2 hectare plot of land in Al Haer farm, 40 km north of Al Ain. His children go to the settlement school. The whole family can use the clinic. Rashid supplements his income working as a driver for the officials who run the extension services and oversee the farm. He has his own Toyota land cruiser.

Rashid grows alfalfa on half his plot. This produces enough for his animals in summer and a surplus in winter which is sold to camel-owners who come to buy from far across the desert. But the general lowering of the water table in Al Ain — soon water will be pumped from desalination stations in Abu Dhabi, reversing the oasis's role as a supplier of water to the city — means that the settled bedouin of Al Haer can often cultivate only a proportion of their allocated plots. Rashid grows water melon and egg plant in addition to alfalfa, but the rest stands bare awaiting a solution to the water problem.

By tradition the tribes of the Musadam peninsula, which includes northern Oman and much of modern UAE, could count 365 falages, underground irrigation tunnels like Iran's qanats. Enumerating one for each day of the year was actually a metaphor to signify "as many as you need." With this ancient system the tribes grew more than they needed.

As in Yemen and elsewhere in Arabia the sophisticated water controls of the past have fallen into disuse. Only 51 falage sites are known today. The delicate response of the old cultivators to climate and underground water has been replaced by the most short-sighted exploitation of underground water. The change of efficiency is ironic. Agriculture today contributes less than 1 per cent to gross domestic product but uses 75 per cent of the country's water.

Two approaches to the crisis are necessary: halting all new drilling—including that ordered by Sheikh Zayed in the Western Desert for forestry—until a comprehensive water survey is carried out; introducing modern methods of irrigation. To do this serious administrative complications will have to be overcome.

Drilling cannot easily be stopped because no single body in the country has the power. Each Emirate is responsible for its underground resources (oil and water) and is highly sensitive to interference. Social and educational changes will have to take place to change the landowners' view that water under their property is theirs to pump if they wish. In Abu Dhabi the municipality put a ban on wells less than 500 metres apart, but a Government farm breaks the rule and Sheikh Zayed continues with his policy of afforestation wherever water can be found. (In his defence it must be said that he now uses indigenous species only and that drip-fed forestry is the most efficient water use in the country.)

The federal Ministries of agriculture and planning have long been pushing for a comprehensive soil and water survey (a sine qua non of agricultural policy planning). Stages 1 and 2 of their programme have been completed (assembling existing data and an aerial photographic survey), and Stage 3, a complete water and soil survey, is due to begin. The Dh 50m project is under tender for completion by 1981. Meanwhile, the Cabinet has presented a proposed constitutional change to permit federal control of water planning. The change, however, like so much vital legislation, is held up by the inability of the Supreme Council to hold meetings.

Water

For several years the country has been drawing more than 250m cubic metres of water from the aquifer connected to the mountains of Oman. This year the figure will exceed 270m cu. m. Every year a minimum of 150m cu. m. more than is replaced by rainfall is drawn off. The figure may be much higher. The Government has tried various methods of irrigation and has found that water use can be cut by 60-70 per cent by the introduction of methods like pipe-fed drip systems. Wasteful flood irrigation absorbs threequarters of the UAE's water so the widespread introduction of drip systems would have a real and immediate effect.

However, attempts in various parts of the country to introduce pilot schemes for centrally fed irrigation have failed. One such experiment was to have been at Al Dhaid, where the Ruler of Sharjah has made so many gifts of land for farming that the water table is dropping by three feet a year. The Ruler, who is an agricultural engineer by training, has been persuaded to stop distributing land, but the political problems of federal involvement in sovereign water rights of individual Emirates are too great to be overcome until the federal structure is stronger.

M.T.

Banking

CONTINUED FROM PREVIOUS PAGE

shop-floor workers to run them.

As far as horrowing by governments is concerned, neither the Government of Abu Dhabi nor the Federal Government would have any difficulty in raising funds on international capital markets. Sheikh Rashid of Duhai is possibly near the upper limit of what the market is prepared to lend him, though that remarkable businessman's ability to prove pundits wrong remains undimmed

Kuwaiti bankers are generally ready to invest in the UAE. In addition to their part in the restructuring of the Ajman Bank and their investment in the Sharjah Group Company, a highly profitable international investment house, Kuwaiti banks are active in Ras Al Khaimah. Three—al-Ahli Bank of Kuwait, the Industrial Bank of Kuwait and the Kuwait Foreign Trading, Contracting and Investment Company—shared with other international banks in managing and providing a $67.5m syndicated guaranteed facility for the Gulf Cement Company of Ras Al Khaimah.

Not surprisingly, with foreign assets which might seem modest compared with those of Saudi Arabia and Kuwait but which still, according to Dr Odeb Aburdene of the Arab Monetary Fund, totalled $7.57bn at the end of 1977, the UAE is in a position to lend considerable amounts of money internationally. In this context it is more correct to refer to Abu Dhabi, for the surplus is Abu Dhabi's surplus and the institutions investing and managing the foreign assets are principally the National Bank of Abu Dhabi and the Abu Dhabi Investment Company.

The National Bank of Abu Dhabi was founded in 1968, but it is only in the last 18 months that it has become an established international lender. The Government of Abu Dhabi owns 51 per cent of the equity, and private sector UAE citizens another 44.5 per cent. The National Westminster Bank has 1.5 per cent of the equity. The National Bank of Abu Dhabi has a 10 per cent stake in the Abu Dhabi Investment Company, in which the Government of Abu Dhabi, through the Abu Dhabi Investment Authority, has a 60 per cent share and the UAE private sector a 30 per cent share.

These two institutions were lead managers last year in 16 Euroloans totalling almost $2bn and co-managers in a further 25 loans providing over $3.1bn. Borrowers included the European Investment Bank, Electricite de France, Tokyo Electric, Norsk Hydro and Brown Boveri.

It would seem probable that lending internationally is a far more profitable way than most others for Abu Dhabi, and ultimately the UAE, to earn a place in the international financial sun. A half-hearted attempt has been made to establish an offshore market in the UAE, modelled on Bahrain's success. Originally 12 restricted banking licences were issued, but seven of these have subsequently been revoked. The five international banks still holding restricted licences had a total balance sheet of Dh 1.44bn at the end of November last. Having started later than Bahrain and without the professionalism of the Bahrain Monetary Agency, or the unambiguous political support of the UAE authorities, the UAE offshore banks have made little impact on the market.

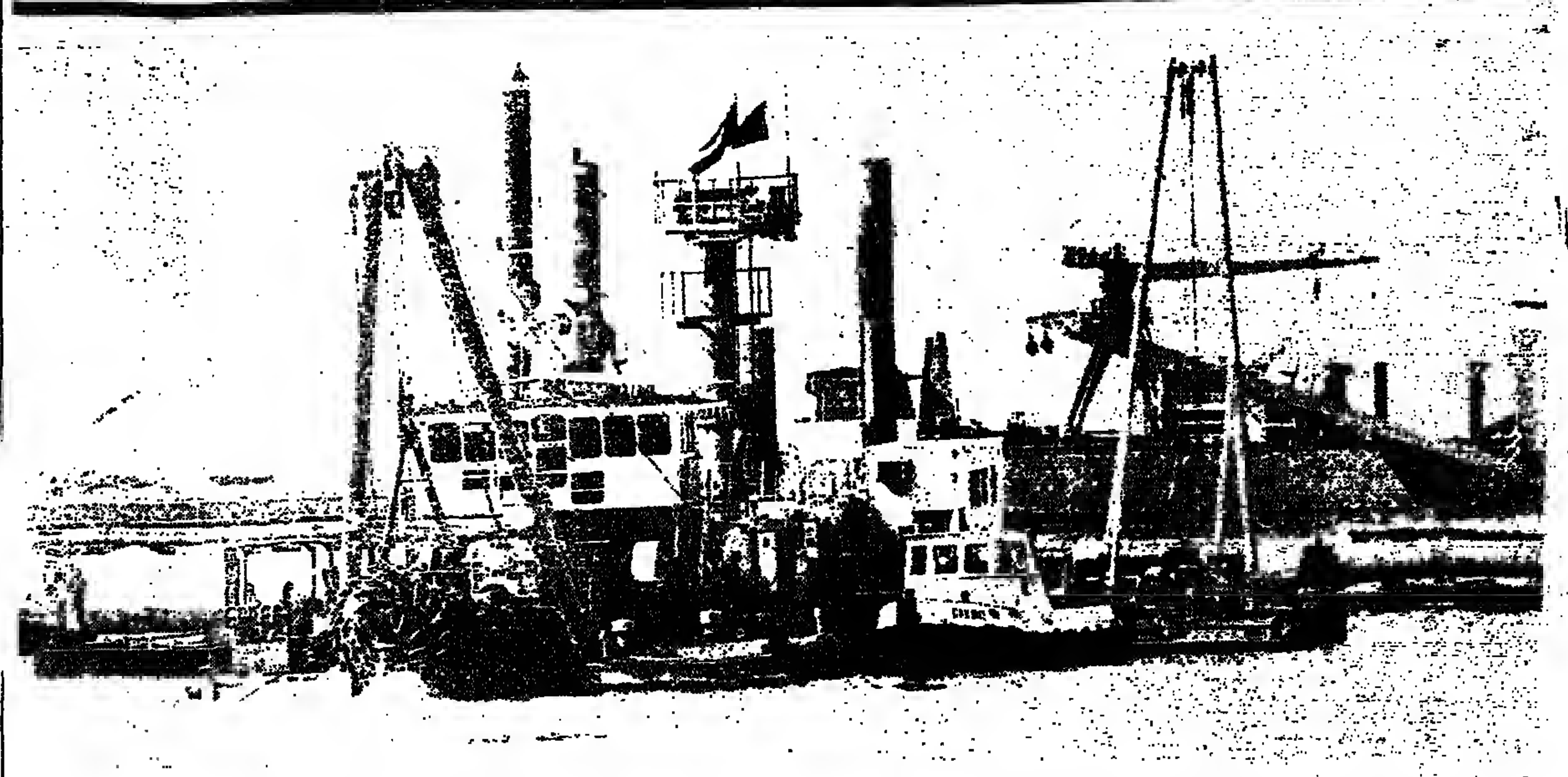
John Townsend

AGGREGATE BALANCE SHEET

(Dh bn end-year)

	1973	1974	1975	1976	1977	Nov. 1978
Total assets	3.6	8.9	14.6	24.2	29.6	35.4 (est.)
Total credit	1.7	3.7	6.2	11.5	18.2	22.0
Private sector credit	*1.6*	*3.4*	*5.7*	*10.5*	*15.8*	*19.0*
Money supply (ML)	1.0	1.5	2.6	4.7	5.2	5.9

Source: UAE Currency Board



The £1bn port at Mina Jebel Ali is being constructed by Gulf-Cobla for the Ruler of Dubai. The two basins will have 66 landlocked berths and will be completed by February 1981. One feature of the construction of the 15km of dock walls is the use of special hydraulic tongs for the placing of quay wall blocks

PORTS AND AIRPORTS

Poor planning

THE UNITED Arab Emirates' steady expansion of port and airport facilities over the last few years illustrates once again a complete lack of co-ordinated planning. The result is wasteful duplication and yet another area of potential competitive friction. Each Emirate has gone its own way, closing its ears to warnings of over-capacity, both in the Gulf and within the UAE. The spending has not yet finished, and in the next few years millions more dollars will be poured into sea and airport projects which were conceived when "slump" was an unknown word.

Abu Dhabi is building a new airport capable of handling 3m passengers a year and is completing a bunkering complex at the industrial city of Ruwais. In Dubai, Costain-Taylor Woodrow Joint Venture will this year hand over the last berths in the Port Rashid expansion programme, while work continues on the 66-berth port at Jebel Ali, a mere 17 miles away. This has already become a huge drain on Dubai's financial resources. Finally it has been announced that Dubai International Airport will be doubled in size at a cost of over £250m.

Just down the road, Sharjah has a brand new £330m airport, which is operating well below capacity because airlines prefer to use Dubai. The deepwater port of Khor Fakkan on the Indian Ocean becomes operational this summer, although shipping lines are still sceptical about the value of a container terminal on the UAE's east coast.

Other Emirates too have plans. Some have had to be shelved through lack of cash, but other projects—like Mina Saqr Port in Ras Al Khaimah—have been completed; but it is proving difficult to persuade any ships to call there.

Cushioned

It seems unlikely that the UAE's ports will ever again operate at full capacity. Certainly there is small chance of a return to the days of congestion when there were queues of up to 200 vessels waiting up to three months to unload.

This year Port Rashid and Port Khalid in Sharjah were cushioned by the situation in Iran as consignments were temporarily offloaded. By March over 350,000 tons were lying in UAE ports, and although the majority will eventually be shipped across the Gulf some has been abandoned and will probably be auctioned.

Abu Dhabi is the only Emirate to recognise the long-term signs and call a halt to its expansion plans for Mina Zayed. It was planned to build up to 60 berths in an inner and outer harbour. The outer harbour has now been shelved, and two of the existing 19 berths will instead be converted to take container ships and one to take ro-ro vessels.

Dubai has ignored the warnings and pressed ahead with its ambitious plans. The massive Dry Dock is now finished—at a final cost of over £230m—and although the majority of the 6,500 people who worked on it for the last five years have now left, the dock lies empty waiting for an operator.

Bristol Channel Ship Repairers part of the C. H. Bailey group, was awarded a letter of intent to manage the yard before Christmas, but so far no final agreement has been signed and it is rumoured that the Government of Dubai may be once again looking to the Koreans for a management contract. The delay is bound to affect the yard's ability to pay its way.

Port Rashid is still the busiest port in the UAE with a steady increase in tonnage, particularly containers. In 1978 the port handled 136 000 TEUs compared with 55 000 TEUs the year before and the signs are that this move to containers will continue.

Facilities for containers in the port extension include two 35-ton cranes, two 41-ton third generation cranes and over 450,000 metres of storage yard as well as computer tracking. But as Port Rashid searches for more business it will face competition from both Sharjah, and this year from Jebel Ali as well. As ships get bigger and operating margins tighter it is inconceivable that operators will call at more than one port in the Emirates and certainly not two in the same Emirate. The future development of Jebel Ali presents the biggest single question for port managers to ponder. It opens officially this summer with 10 berths — five for general cargo, three for containers, one tanker and one aluminium berth.

The big question is whether Sealand, which currently accounts for 30 per cent of all container traffic through Port Rashid, will switch to the new port. Sealand was appointed to manage the port but Mr. Jim Scott, the port manager has stressed that the container and port management arms of the American company will be handled separately.

Sharjah, too, hopes to attract more container traffic, both at Port Khalid and Khor Fakkan. Last year Port Khalid showed a 90 per cent rise in containers, but bulk cargo dropped by more than 45 per cent.

Sharjah pins its hopes on the successful marketing of its "intermodal transport policy." It plans to capitalise on its unique position in the middle of the UAE and with two ports on each coast as well as a modern international airport. The third arm of its integrated policy—road transport—has yet to be developed, despite the fast highway system which now links the Emirates.

Port Khalid and Sharjah airport have been working together for some time, holding regular meetings to co-ordinate policy. Now the new manager of Khor Fakkan, MTI (Port Management Services of Port Khalid had expected to get the contract but MTI came in at the last moment with a better offer) will join these meetings. MTI is a joint venture between Manchester Liners of the UK and Ali Reza of Saudi Arabia. It also has a contract with Bombay and will run feeder services between the two ports as well as round the coast to Gulf states. Though the integrated transport system looks good on paper there has been no great enthusiasm in practice. So far the ruler's yacht has been almost the only vessel to require the two Khor Fakkan tugs to leave port.

Sharjah Airport has also yet to fulfil its promise. The terminal building, with four white domes which rise out of the desert, is arguably one of the finest in the Gulf. Shaikh Sultan, the Ruler, played a major role in designing the building, which is one of the few in the area to incorporate any traditional Arab design. It is a functional yet attractive building, but as yet few airlines have been attracted away from Dubai.

Frankfurt Airport Authority, which has the management contract, see transit traffic as the key to the future. The airport buildings themselves — which incorporate direct access bridges —duty-free shops and a 20 per cent lower handling rate will eventually persuade the long haul operators between Europe and the Far East to stop at Sharjah.

Task

However, latest figures from Dubai International Airport indicate that it will be an uphill task. Statistics for April show a 61 per cent increase in transit traffic over the same period last year (84,000 compared with 52,000). Last year the airport handled over 3m people and has over 26 regional and international airlines operating 230 flights a week.

Only a week after Sharjah had proudly inaugurated its new terminal, Dubai Airport announced that it was to double its airport capacity with a new building alongside the existing terminal. The new £250m terminal, which will be completed by early 1981, will handle arrivals, while the existing building will become the departure lounge. Coupled with a second runway the extension programme is designed to take Dubai Airport into the 1990s.

Meanwhile, Abu Dhabi's Nadia Airport, 30 km from the town itself is expected to open early in 1980. Phase one is capable of handling 3m passengers a year. It is doubtful whether it will attract much traffic away from Dubai, which is still the popular destination, particularly for businessmen.

There is still one area which has yet to be developed in the region—cheap flights. It has already been proposed to operate a "Skytrain" type service to the Far East, and Sharjah has been proposed as a transit stop. If that happens it could mean the advent of £85 fares to London, something which is likely to shake the complacency of scheduled operators, which until now have held fares at prices that are among the most expensive anywhere in the world.

Celia May

مكتبة امنه الأصل

INDUSTRY

oo many projects

major industrial nder construction ich project even t alone making t surprising that rds creating a al base in the be halted. This be a healthy ecause it is giv- ers and planners, businessmen, an think again and reviously sacro- As with most of in the Gulf, the on *industry in* d to be that the of an industrial amental require- establishment of st-oil economy. ndustry would be towards creating economic struc- d at once reduce he industrialised ovide profitable portunities for nues.

e its Gulf neigh- short of able and has all the n absorb. Tha tively can buy dern technology managers, tech- killed workers. oil producers et for manufac- either locally big enough to ale production ea which will be with imported nufactured pro- ound the prob- ocal and regional E and its neigh- ated a surfeit of projects which be in competi- other.

lf is a microcosm ulf. Lacking pre- long-term objec- parochial rival- ences, fearful of of its political rapidly changing confidence in its r Federation has difficulties in co- to-day policies.

In the oil surplus communities of the Gulf, political power and wealth are *synonymous*; the UAE's additional specific problem is that it has two power centres, Abu Dhabi and Dubai. Neither is strong enough to impose its will upon the other, and neither feels confident *enough to separate itself politic*ally from the other, and hence from the Federation.

The economic philosophy of the Abu Dhabi community, dictated by its large oil revenues, is state capitalism, whereas that of Dubai's community—one with a strong mercantile tradition—is based on the private sector and on free enterprise. The heavy industry policies and projects of the two communities reflect these different philosophies.

City

Abu Dhabi, with careful *planners' logic, has opted* for an industrial city at Ruwais, a remote hamlet bordering the Gulf. Here, originally, an industrial city to house 80,000 people was planned, complete with its own harbour with an LNG terminal, international airport, power station, infrastructure, hospital, hotels and services. This industrial city would be the base for logically planned hydrocarbon-based and associated industries, initially an oil refinery, to be followed by a petrochemical complex and a nitrogenous fertiliser plant, and —possibly—by an iron pelletising plant. These heavy industries would be at the heart of an industrial area which would attract light industries. The market for the basic industries would be international, through joint venture investments, that for the iron pellets and the light industries would be local and regional.

The UAE's Minister for Petroleum and Minerals, Dr. Mana Saeed Otaiba, was appointed chairman of Abu Dhabi's new Public Corporation for Industry earlier this year. This corporation is intended to handle the implementation and management of the Abu Dhabi Emirate's basic industries; its terms of reference also permit it to help the private sector wherever and whenever such assistance might be appropriate. It must be stressed that the corporation is for Abu Dhabi only, although there would appear to be no reason why ultimately its scope should cover the whole UAE.

MANUFACTURING ESTABLISHMENTS	
1973	187
1974	337
1975	565
1976	535
1977	879

Source—Ministry of Planning.

Planned expenditure on the Ruwais hydrocarbon-based industries will reach $20bn by 1985 if all planned projects go ahead. The oil refinery, being built by Snam Progetti of Italy, will have an *initial* capacity of 120,000 b/d, possibly rising to 300,000 b/d by 1985 and subsequently to 500,000 b/d. A natural gas liquids plant is to be built by the U.S. contractors, Bechtel and Fluor. Feasibility studies for an iron and steel mill in Ruwais and for a dry dock project in Abu Dhabi were signed in April of this year.

Although the official word in Abu Dhabi is that the Ruwais industrial city is going ahead as planned, informed observers in the Emirate say that the Government is becoming concerned at the implications of increasing costs and above all at the implications of the competition to the Ruwais *industries* which will be offered by Saudi Arabia's Jubail industrial complex. It seems probable that only the refinery and the natural gas liquids plant will go ahead. So far, all the infrastructure projects are continuing.

At the same time that the Ruwais industrial city complex was being planned, the entrepreneurial and intensely competitive Sheikh Rashid of Dubai conceived his own industrial city at Jebel Ali, another stretch of desolate sand some 20 miles from Dubai. The commercial spirit of Dubai applauds action rather than plans, with the result that Jebel Ali is very much more advanced than Ruwais. The first 12 berths of the planned 74 berths in the new harbour are in use, for the import of building materials, general, bulk and break bulk cargoes. The Dubai Aluminium Company (DUBAL), owned 80 per cent by the Government of Dubai, 7.5 per cent by the U.S. Southwire Corporation, 7.5 per cent by Japan's Nissho Iwai and 5 per cent by local Dubai merchants, will produce at the rate of 135,000 tons per year from mid-1981, at a time when Sheikh Rashid believes that there will be a substantial increase in demand for aluminium products. The DUBAL smelter will be in direct competition with the ALBA smelter in Bahrain, in which Saudi Arabia has recently acquired an equity share. To rub in the point about competition, Sheikh Rashid hired the British manager of the ALBA smelter to come and run DUBAL.

Rivalry

Associated with DUBAL in Jebel Ali is DUGAS, the Dubai Natural Gas Company, a joint venture between the Government of Dubai, which has 80 per cent of the equity, and the American Sunningdale Oils, which has 20 per cent. Initially DUGAS will produce propane, butane and condensate for export from Dubai's own slender gas reserves. Ultimately, DUGAS will provide gas as fuel for the Jebel Ali industries, including, of course, the DUBAL smelter. Here, the wisdom of action before plans can be questioned. Extra gas will be needed, initially 55m cu ft per day, and ultimately probably as much as 120m cu ft daily. This gas might come from the neighbouring Emirate of Umm al-Qawain, or it might come from a small gas field just across the border in Oman. In each case, there are price difficulties, and in the case of Oman, possibly political difficulties, as the pipeline bringing the gas to Jebel Ali would need to pass through a small area of disputed territory. An obvious source is Abu Dhabi, but the intense inter-Emirate rivalry between Abu Dhabi and Dubai has so far ruled this out.

Another enormous industrial project in Dubai, conceived in a spirit of competition, is the three-berth dry dock, intended to compete with Bahrain's OAPEC-owned Arab Shipbuilding and Repair Yard (ASRY). It is not yet certain whether the Dubai dry dock and shipyard complex has a manager, although Britain's C. H. Bailey is thought to head a field which includes Korean and U.S. competitors.

Problems of gas supply and management aside (and Sheikh Rashid has always hitherto been able to arrange a profitable deal at a time to suit himself), Dubai's heavy industrial projects have one great advantage over Abu Dhabi's projects: they are virtually complete, they will operate, and even if they do not make a commercial profit they are likely to generate a cash flow and attract secondary industries to Dubai to serve a growing *local* and *regional* market. Purists may complain about duplication and a waste of scarce resources, and the absurdities created by a lack of planning. Professional risk-takers, like Sheikh Rashid, can counter (assuming that his major projects will not be white elephants, a reasonable assumption at the moment) that while planners are agonising over priorities and options, the businessman is in the market place, sniffing the air and making profitable deals whenever the opportunities offer.

The only other Emirate with heavy industry is Ras Al Khaimah, which has construction related industries, a cement plant currently being enlarged, a rock-crushing plant and a lime kiln. These tend to be joint ventures between the ruler of Ras Al Khaimah and Kuwaiti businessmen.

Manpower

After the weakness of local markets, the greatest constraint to industrial development in the UAE, and in the Gulf generally, is the absolute shortage of manpower at all levels, from managing director to production manager, to technician, foremen and shop-floor workers. The most capital-intensive industry, employing the most modern technology, still requires experts to run it. Indeed, high-technology capital-intensive industry has a built-in trap for developing countries in that the people required to manage and control the latest plants are in short supply in most industrialised countries.

It follows that the implementation of the heavy industry plans of the Gulf countries will require more and still more expatriates. In most Gulf countries, especially after the events in Iran, there is an increasing resentment of the foreign presence, a presence especially noticeable in the UAE, where foreigners outnumber indigenous inhabitants by a factor of about four to one. Expatriates rarely feel welcome enough to want to make their homes in the Gulf; social contact between the two communities is minimal and there are wide divergences in social *mores*. Yet paradoxically, if more foreigners were encouraged to come to the Gulf, and even to settle there permanently, their very numbers would add a significant dimension to the local market and hence could serve to make a wider range of industries profitable. Already in the UAE, the large numbers of foreigners make up an extremely lucrative market in property and in consumer goods.

A market is required if heavy industry is to be viable; the same principle applies with even more force in the establishment of light industries. In the UAE, light industry has no protection, save from a very modest duty on imports, and has therefore to compete on quality, price and availability with the wide range of imported manufactured products available. Most light industry is small scale and, not surprisingly, is concentrated in the food-processing, construction-related and machinery and vehicle repair sectors.

Successful light industries can be very successful indeed. An example is the glass reinforced plastic (GRP) manufacturing joint venture of Dubai businessman Abdul Ghaffar Hussein, managed through his holding company, Green Coast Enterprises. He started a paint and plastics joint venture operation with a Norwegian group, and the success of this tempted him, with the same Norwegian joint venture partner, to set up a large-diameter GRP pipe plant. In 1978 this plant produced a total of 105 km of plastic piping, in diameters ranging from 350 mm to 2,500 mm. His market is the whole Gulf, and his pipes are a genuine Dubai export, rather than a re-export.

The range of products is being extended to include smaller diameter pipes as well as water tanks, septic tanks and other GRP tanks for industrial purposes. Abdul Ghaffar Hussein is a businessman above all. He has hired the management skills and bought the technology he needs. He has not insisted on a majority share in his joint venture, having only 30 per cent of the equity. But his *mercantile flair* and his knowledge of local markets have given to his Norwegian partner an asset which is highly profitable.

John Townsend

EDUCATION

Given high priority

IN A country where the indigenous population forms only 20 per cent of the total, the education sector is vital. Without an educated local elite, the nationals of the UAE could lose their grip on their country, the economy and its direction. Not surprisingly, education has the second largest priority after defence in the federal budget. To many nationals it is the one major benefit of the oil, for while the wealth has bred its own peculiar social problems the establishment of a nationwide education system is regarded as the most tangible blessing of all.

Yet it was only 20 years ago or less that education was a privilege restricted to the sons of sheikhs. For the few parents who could afford it the only alternative was to send their children outside the country for schooling, and today many of those former students are Ministers in the Federal Government.

Immediately before the creation of the federation there were only a handful of schools, but eight years later an educational system from kindergarten to university is available to the remotest bedouin in the desert. Schools have been built in areas which only five years ago had no roads, and in terms of infrastructure building, the achievements of the Federal Ministry are nothing short of miraculous.

Today the UAE education network boasts an intake of around 90,000 students in 240 schools, and this year alone the Federal Government is spending Dh 1.2bn on education. About 82 schools are under construction, some 42 libraries are being built and the most sophisticated educational aids the world has to offer are being installed in the local schools.

Yet the UAE, like many of its neighbours, is beginning to discover that bricks and mortar alone do not make an educational system. For all its lavishness the education field is racked with problems. Many of them result from rapid development, and the future will give time for hindsight and reflection so that they will be identified and eventually ironed out. The rush to provide a nation wide network for all citizens, whether from rich Abu Dhabi to poor Fujeirah, has led to neglect in the software which fills the luxurious classrooms.

One expatriate adviser went as far as to say that the UAE presented the most depressing scene in education that he had seen in the Gulf so far.

The major problems for the system derive just from the diverse nature of the society. Out of nearly 5,500 teachers only 324 are UAE nationals and all but 78 of those are women, for teaching represents one of the few respected avenues of work that a UAE female can pursue. The bulk is culled from Egypt, the remainder being Palestinians, Jordanians, Somalis and Sudanese. In previous years the recruiting teams from the Ministry of Education in Abu Dhabi used to acquire Egyptian teachers almost in bulk in lots of 300 or so, with scarce attention being paid to past academic and teaching experience. Now a system of interviews has been instituted to improve the quality of teaching.

Instruction is often still by rote and from Arab nationals whose only reason for being in the country is the money. More recently however, the pay of teachers is rapidly declining in attractiveness, for although housing allowances are paid they are frequently insufficient to cover the high rents in the towns. Teachers often end up sharing cramped small flats and being at the lower end of the social scale in the framework of the alien Arab society.

Small wonder then that so many schools in the UAE suffer disciplinary problems. Teachers are just superior "coolies" and as such have severe problems in disciplining the protected and privileged youngsters of UAE classrooms. When a local school recently installed a lavish \$1m language laboratory, it was wrecked within a matter of weeks. "Worse than a London comprehensive" is how one foreign teacher put it. Assault is common and disrespect a daily affair. Teachers have also been attacked when they tried to intervene with the normal smooth process of cheating, and of course "merchants' sons never fail."

Many nationals and Arabs from elsewhere are becoming increasingly attracted to the foreign schools in the UAE, where discipline is maintained on stringent European lines. Many of these foreign schools, which have undergone an enormous expansion over the past five years, are expensive. The English school in Dubai charges nearly Dh 5,000 a pupil a year and a Dh 20,000 bond is required to guarantee a place. A family with two children, one at a secondary school and another in high school, would have to pay the equivalent of Dh 57,000 (£7,300) a year on education.

Realising their attractions, the Federal Ministry recently declared that they would be tightening up on the private schools and checking that no instruction is given which would contradict any Islamic beliefs.

Meanwhile, complaints are growing about the UAE Government school system, which is becoming increasingly marked by high failure rates, drop-outs and indiscipline.

In contrast, the Government schools for girls are harmonious, happy places, enhanced by an active interest in arts and music. The UAE girls have been quick to grasp that if there is to be any place for them in UAE society outside the walls of their father's or husband's house, then it can only be as a professional woman in the acceptable roles mapped out so far for them by society. An education really is the only way out, even to the limited version of freedom that they seek.

The most serious problem, however, is the drop-out rate among UAE schoolchildren. Officially all children are obliged to attend school between the ages of six to 12 years, though the foreign inspectors have a difficult task in rooting out the missing pupils and forcing their parents to send them. The drop-out rate among nationals is dramatic and much higher than other Gulf States. The primary and preparatory levels account for 53,385 pupils, but the secondary schools only manage to account for 3,161 students, with Islamic studies taking another 1,000 boys.

This seemingly alarming drop-out rate is largely because of two factors. Many of the girls leave either because their parents are preparing them for marriage or because they are to get married shortly after preparatory school. There are still numbers of girls being married under the age of 15 years, though this practice is declining rapidly as the girls push for their education to be continued. Many of these cases are also later scooped up in the highly popular adult daytime courses.

The boys, however, are often lured by family business, be it the trading empire of a local merchant or their fathers needing help with the fishing. Large numbers of them are attracted by the high salaries offered by the army, and in many cases there are opportunities for their education to be continued there. Many of these such boys are bedouin, and the security forces have an interest in luring such human resources into the army in order to boost its national content. Educational ambitions thus, directly clash with those of defence.

Increasing numbers though are realising that success does not necessarily mean a career as a well-paid coffee drinker in government Ministries, and many are continuing their studies at the UAE's highest institute of learning, the university in Al Ain. Here the students are offered pocket money and paid holidays abroad to encourage them to continue their studies. Here in this delightful provincial town in the desert, over 100 miles from Abu Dhabi, over 1,000 students are learning in four faculties under strictly segregated conditions. The divided nature of the campus requires duplication of everything. There are physics laboratories for the girls and physics laboratories for the boys. Each weekend separate buses take girls and boys to their homes.

There are plays for men and plays for girls, there are different days at the library for either sex. The campuses which house the students (they are forbidden to live out) are more like hotels than hostels, for each is luxuriously decorated, with TV rooms, videos each night and swimming pools under construction. Part of the reason for the plush environment must be that students, particularly the girls, are virtual prisoners in their halls of residence from the time classes finish. Boys are allowed out, and many even run small businesses in the town on the sly.

Not surprisingly therefore the girls' hostel has a somewhat claustrophobic atmosphere, for here some 400 girls are kept under strict control by a handful of student supervisors. "It's the only way they would be allowed to come to university at all," explained one of them. "If we didn't guarantee control, their parents simply would not let them come."

Some days the supervisors mount small shopping expeditions into the town in groups of ten. "I couldn't take them in greater numbers, the local residents would object. Besides, how can I take 400 girls to a market which is basically six shops?" asked a supervisor. As for the future, when the female intake is projected to swell to over 3,000, the supervisor could only shudder at the thought of controlling such numbers." Maybe it will have changed by then. Kuwait did," she said hopefully.

With fewer distractions, the girls have proved more successful than the boys. The latter are now reported to be pulling themselves up, according to one professor, and the gap is narrowing. Discipline is also a problem for some in the first few months. "It's the first time they experience it," remarked one teacher. Motivation is also another problem in such a society as the UAE, where to be a national is often enough. Few are looking for jobs to rely for their entire financial ex... ence, but most of the Al ... students, say professors, are a... ing for the prestige governm... jobs. Many are hoping ... glamour posts in such Minist... as Foreign Affairs.

In the next few years ... university will undergo ... siderable expansion. At pre... it consists of four faculti... arts (the most popular) busi... administration and polit... science, which is dominated ... UAE girls, an educa... faculty for teacher training, ... an Islamic Institute. A new ... lege for agriculture is due ... open next year, and under st... with a number of Amer... universities is a faculty ... engineering.

Intake

Wisely, the university ... avoided the temptation of ... ing Ph.D courses at this yo... ful stage of its history, an... is expected therefore that ... traffic in young students ... seas will continue, though ... reduced level. Indeed more ... 50 nationals in this year's in... are students who have retu... from foreign universities, ... ing found difficulties in ad... ing to a different environ... Many had been found to ... suffering not only from cul... shock but loneliness and h... sickness, because before Al ... university opened it was ... unusual to send 18-year ... overseas.

Between now and 1985 th... Ain university will thus ... receiving a different clie... with the addition of new f... ties and the admittance of ... Gulf students, as the reg... university plan takes shape... then, officials say, the ... student body will be ar... 7,000; about seven times its ... sent size. UAE nationals ... however, always remain 85 ... cent of the total in accord ... with university policy.

Running a university of ... size—although small in ... terms it is very large for ... UAE—will, it is recognised ... a very different propos... from the small cosy natu... the present campus. The uni... sity has already had its ... ation into the world of po... when last May several hun... students poured into cars ... buses down to the capit... demonstrate for unity. The ... of demonstrating stu... certainly unnerved a numb... ruling sheikhs.

Al Ain's officials reply ... their job is to build the ... generation of intelligentsi... that in future they will be ... to share in the political ... economic future of the cou... Just how much that share ... be is likely to be determine... other more influential int... and regional influences, bu... UAE university is cert... playing a major role in e... cating away the tribal ... family ties which sep... citizens of the various Emi...

Not only have the stu... already had a taste of pol... experience outside the co... inside various development ... also underway. Earlier ... year they elected a stu... body, with candidates o... campaigning for votes thr... posters and other more fam... techniques well known to ... democracy. A students' m... zine has also been started ... articles are carried on ... and regional politics. ... article in the last issue ext... the wonders of the Ayat... Khomeini and the Isl... revolution in Iran.

University politics in ... country have always tende... be on the heady side, but a... university professor put it ... is easy to teach. The proble... what to teach and why."

WELFARE

Gifts from Allah

THE CONCEPT of welfare in the UAE is confused by the Arab tradition of gifts. God made a gift of oil and the ruling sheikhs make gifts to the poor.

Social problems until recently were dealt with ad hoc. Hospitals and schools were often the currency of largesse. As the first educated Emiratis began to assert themselves attitudes to social responsibility became more sophisticated and Ministries of health, social and planning welfare, were established.

Setting up a social security department was a means of institutionalising the spread of wealth from the sheikhs to the people. But it was seen in two different ways: the Rulers still see the welfare mechanism in terms of gifts: the administrators and educated Emiratis see it as the provision of minimum rights.

It is hard to mobilise a welfare state in the UAE because the Rulers themselves are unable to distinguish between the quantitative and qualitative aspects of higher living standards. The Rulers' view is that social ailments can be solved with money. Hence the purchase of schools, ultramodern hospitals, technology and expertise far beyond the requirements of the nation. The remedy of first and last resort is always the handing out of cash.

Material aspirations are indulged faster than social education can stimulate demand for qualitative improvements. The gap can be seen in housing, schools and every field, but it is well illustrated in the provision of hospitals and health facilities. The country is about to open one of the world's most modern hospitals in the small oasis town of Al Ain, with 400 beds and a cancer diagnosis and treatment unit, unavailable in Britain. Yet the vast majority of people, even in the large towns, lack rudimentary knowledge of hygiene, sanitation standards, diet and child care.

In building the schools, houses and hospitals, the authorities stumbled over a paradox which goes to the heart of the country's development crisis. In order to give facilities to the indigenous population it is necessary to give them also to the immigrant population who are, anyway, the majority. If this does not happen, hospital beds and classrooms remain empty and immigrants become unhappy and unhealthy. Discerning Emiratis are only now asking the question: a welfare state for whom?

A decade ago sheikhs gave alms to the needy and gifts to friends, subjects and guests. Alms and gifts are still given, but the UAE's rulers have been obliged to institutionalise the process with welfare, social security payments, subsidies and allowances.

Eligible

According to the Planning Minister's office, nearly a third of Emiratis receive direct financial benefits from the State. Eligibility depends on the nature of the payment. All nationals and most residents are eligible for something. It starts in the Koranic tradition with widows, orphans and divorced women, moves on to nationals without jobs or unable to work and continues with those employed who believe they don't have enough money.

It is, as a social administrator put it, a unique experiment. There is no concept of abuse for payments. If an office boy feels his job does not provide enough money he can claim cost of living compensation.

Housing is free for nationals, and loans are free or cheap. Health care is free to everyone including foreigners, so is an education in Arabic. Electricity and water are subsidised for all. Foreign and national employees of the government receive a mass of separate benefits.

Until this year children received incentive payments for school attendance, though this is being phased out. Pupils still get extra cash for clothes and equipment. Women's groups, co-operatives and other groups are collectively eligible for various payments.

The amounts are not really important but they are interesting in the West because they are so large. Minimum basic family payments are Dh 375 (\$100) a month. The maximum is Dh 1,875 per family.

During a visit to a social security office I saw a cheque for Dh 1,230,000 being signed for a women's group in Al Ain. That third of a million dollars would last its 200 members two months. Schoolchildren's salaries ranged from Dh 100 per month for the first class to Dh 800 for pupils at GCE level.

Two issues are highlighted by this distribution of cash: money in virtually unlimited quantities does not improve the quality of ordinary Emiratis' lives; generous welfare payments cannot disguise the inequity of income distribution.

The "Mercedes in every home" and similar metaphors fail to convey a true impression of living conditions. For one thing many Emiratis still have a very low standard of living. Many are very poor, often lacking the much-publicised low-cost housing. The cheap housing with two or three rooms often makes a pretty squalid home for six people.

The cultural lag has conjured up such aberrations as schoolchildren doing homework on the bare earth, patients going from clinic to clinic as though doctors' services were a market whose products must be tried and compared, and millionaires with malnutrition.

Nor are the rich and privileged immune from the cultural lag. Sheikh Shaqhoot, the deposed ruler of Abu Dhabi and one of the ruling family's best informed and most charming figures, is happy in his spartan house in Al Ain with the barest of modern facilities. Sheikh Zayed, the ruler, believes that the Range Rover, Jaguar and Mercedes and their owner would be more suited to a palace which he is having built for his brother next door.

In a country so rich those with the welfare minimum are still poor. Educated nationals now ask openly whether people should receive money as charity or as of right. Mr. Said Ghobbash, who has been Minister of Planning for two years, said: "One third of the people live in minimum conditions. Is this in the Koran? People will be affected by the sight of skyscrapers: are they benefitting from this wealth?"

Mr. Ghobbash asks: "Has 2m barrels-worth a day been

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UNITED ARAB EMIRATES XVII

SOCIAL PROBLEMS

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are greater. The problem is already having an important influence on economic planning, for the new industrial towns of Ruweis and Jebel Ali will barely have any local citizens living in them. It also breeds what can be called "the servant mentality," for while the UAE is prosperous, there will also be someone around to do the hard work. As the UAE becomes a more and more important oil producer, It is vital that the work ethic be restored among its citizens to ensure their grip on the country in later years. At the moment, many ministries are full of local citizens who are little more than titled tea drinkers. However, the most striking result of this population imbalance is the growing racism in the society, for like the Kuwaitis, the UAE nationals have learnt to prize their dishdasheh uniform as a sign of superiority, power and influence.

In the UAE, the vast majority of the population is Asian, who together with foreign Arabs must form around 70 per cent of the total. This can only be guessed at, for no census figures are ever published owing to the sensitivity of the issue. Yet despite the scores of nationalities who live in the country and the apparent harmony, each appear to operate a mutually agreed "apartheid" system. Residents rent flats, buy food at each other's stores, even work together, but after business closes for the day the mixing rarely continues. Each nationality has a rung on the social ladder; the Baluchis are at the bottom and UAE nationals the top, with foreign Arabs and Western expatriates in between.

In day-to-day life, the apartheid system works in various ways. UAE nationals are given priority treatment at local hospitals no matter how long the queue of foreign immigrants. The police tend to harass foreigners in minor ways, usually by traffic offences, more than they ever do UAE nationals. Few foreigners would care to take on a local citizen in any legal case.

A racial system which works as subtly as the UAE's cannot but generate resentment, on both sides and occasionally flare-ups of petty violence. It needs only a spark to bring it to the surface—a national who parks inconsiderately, a taxi driver who asks too much money or just a minor traffic incident. On most occasions, immigrants hold their tongue and bear it, for fear of losing their job and therefore their right to stay, which is regarded as the ultimate penalty. But all these developments hardly bode well for a healthy, harmonious community in the future. With the heavy industry being built in the area economically based on cheap Asian labour, the immigrants are a permanent feature, not a transitory, drifting population as the Government officials prefer to portray them.

Many nationals are fully aware of how segregated their society is becoming but point out that such a development is only the emotional consequence of the feeling of besiegement. Some go so far as to say that it will not be too long before there is an Indian Prime Minister in the UAE, a prospect which may at first appear to be a joke, but which, however improbable is a real fear to them. The most depressing factor in the country, they feel, is the decline of its Arab and bedouin heritage, which is being overwhelmed by the influences of the Asians. Already only one cinema in five is showing Arabic films—the rest are showing Indian and Pakistani language offerings.

Vague

Another segment of the population that will soon be pushing for its rights is UAE women. Unlike Saudi Arabia which has definite laws and rules about the place of women in its society, the official view of the other half of the UAE population is still vague and ill defined. At the moment, respectable educated girls are permitted only the roles of teachers, social workers and nurses, but the first crop of chemists, business administrators and political science graduates is already on its way. The country desperately needs more nationals working in the Government and private sector, but to absorb these new graduates would require some rapid leap-frogging in time, for as yet the religious and social patterns of the society would find it hard to accept full participation in all fields.

Perhaps an even sadder aspect to the plight of UAE women is the "marriage problem." The oil wealth has had one disastrous effect: dowry prices have rocketed. Over 20 years ago, the dowry price was measured in terms of animals, foodstuffs and an amount of cash which rarely exceeded Dh 5,000. Now, the prices can be ten times that, and it is not unusual for a girl of a good, but not prominent family to have a bride price of Dh 200,000. For the daughter of a wealthy merchant family, it can go to astronomical levels, such as Dh 500,000. A young policeman, for example, marrying a girl of a good name may be asked to pay up to Dh 100,000, and on top of that there is the house, the furniture, clothes, jewellery and then a lavish wedding feast. "It can cripple you for years," grumbled a young national.

The net result of the soaring of bride prices is that more and more young men are marrying foreign women, even though such marriages are never respected in society. Some marry girls from Bahrain and Qatar where dowries are around the Dh 5,000 mark. But the lower classes may simply go off on holiday to Bombay or Cairo and purchase a wife through the numerous marriage brokers who operate there. An Egyptian peasant girl can be as cheap as Dh 1,000 to Dh 5,000 and an Indian girl as little as Dh 500.

These marriages are much resented by UAE women, particularly if they occur after the UAE woman is married. Dubai police are currently investigating a murder case of a 16-year-old Bengali girl who was beaten to death by the first wife of a UAE national she had married.

The Government has tried recently to prevent such marriages, particularly those involving men of 60 years and over and very young girls. The illicit marriage brokers who were working in Abu Dhabi have now been stopped, and a maze of red tape confronts any national wishing to marry a foreigner. Three years ago, though, it was not an uncommon sight to see these marriage brokers bring in as many as 20 wives at a time, all to be matched up at the airport to 20 UAE nationals. The end result was inevitable squabbling and argument over who got what.

In the meantime, the position of UAE women does not get any better. A social affairs official estimated that between 25-30 per cent of UAE girls of marriage age faced a future of spinsterhood because of their high dowry prices. The matter has now been taken up by a number of local women's associations and given the support of the Rulers' wives. A petition has been presented to Sheikh Zayed calling on him to establish a fund whereby young men can borrow up to Dh 200,000 with no interest to pay the dowries for a UAE wife. The only condition is that the girl be his first wife.

As well as acquiring foreign wives, nationals are also acquiring illnesses more associated with Western societies than Arab culture. Most major city hospitals now boast at least one psychiatrist, and from the day their clinics opened a steady stream of depressives, the anxiety-ridden and the addicted have arrived. Some are traders worried about their businesses, others are young girls in the throes of either hysteria or deep depression owing to their parents' decision to block their higher education, and some are marriage problems which occur when a young girl is married to someone considerably older than herself. Increasingly, too, there are cases of alcoholism—a taboo illness that once was treated in the privacy of Harley Street clinics. As yet, the hush-hush which surrounds the subject has prevented the start of an Alcoholics Anonymous group, which local psychiatrists believe is much needed.

Now the UAE is building its first mental hospital for long-term patients and addiction cases. At the moment, most of the patients which local psychiatrists see are referrals from other doctors. They have not yet gained the habit of volunteering for treatment of their neuroses. But no doubt in time, just as they have acquired a taste for hamburgers, fast driving and pot, they will acquire that habit also.

David Bryn-Williams

Welfare

CONTINUED FROM PREVIOUS PAGE

invested rationally? The core of the issue is where the 30bn dirhams a year go. Rulers are supposed to provide justice. In the modern world of mass communication you cannot defend the practice of sheikhs getting the oil wealth as a right. People know what it is like in the world."

The problem is mobilising the welfare state in a country where neither rulers nor people know what the term means. With or without changes in income distribution the UAE's ability to buy material and technological comforts will continue to outstrip the people's social education. Qualitative aspirations will take a full generation to develop.

No better illustration than health can be found to put the issue in its true context. All health services are free for all UAE residents. Health spending has risen from Dh55m to Dh900m in seven years. Hospitals are unevenly distributed in the Emirates (more than half the beds are in Abu Dhabi) but the UAE has one bed per 250 people and will approach Sweden's 100 heads per bed soon.

Though the best consultants are employed the education system does not produce enough nurses. Aftercare is poor and ignorance of patients' needs destroys the best work.

A Fujirah girl will return home from hospital with her new baby, the grandmother will ask why she is washing it and instruct her to leave it unwashed for a traditional period. And so disease prevention is hampered.

Despite the hospital building programme no study has been done of who is in them. Nationals prefer London and estimates of the main Abu Dhabi and Dubai hospitals suggest that 80 per cent of the patients are foreign. And it is immigrant workers who have the most infectious disease. Tuberculosis is common but under control. The government is trying to arrange pre-visa TB screening for immigrants in their country of origin.

The proposed federal hospital in Fujirah (300 beds) would serve Omanis as much as locals. Northern Omanis have no health facilities. A federal health official said: "It will serve 50,000 people. The Omanis are not foreign. If you can afford it you should do it."

The impact of foreign labourers on the country's health is forceful. Half of the workforce is from underdeveloped countries and the UAE imports their endemic diseases like malaria. Nothing can be done to combat it while Oman takes no measures so malaria is rife. Ninety per cent of last year's 20,000 cases were imported.

So far the UAE has escaped typhoid and cholera but if it arrives it will sweep through the immigrant communities. A health official said: "We could do nothing. Prevention lies in the water supply, sewage disposal and general education."

This underprivileged foreign group, the most unfortunate of the foreign majority, not only requires a health service on humanitarian grounds. Their health is the UAE's health. Until the implications of this are fully appreciated at the top the UAE will not be able successfully to construct its welfare state.

The position of immigrants, their status and rights has to be addressed. A population and immigration policy must be adopted by the rulers before the development of the state can progress further.

M.T.

IMMIGRATION

Foreign workers bulk large

IMMIGRATION IS likely to be the hottest political issue in the United Arab Emirates (UAE) in the years to come. The composition of the population is already dangerously unbalanced since only one in four is a locally born Arab. Estimates for 1978 show the population at 877,000, but only an estimated 200,000 are citizens of the UAE. The overwhelming majority of the population is Asian, mainly Indians and Pakistanis, followed by foreign Arabs. Moreover, the preponderance of Asians is having a permanent social and cultural effect on the country. Perhaps one of the most striking aspects of the UAE's demography is that three-quarters of its inhabitants are men.

As yet the immigrants have no political niche in the society whatsoever, for ruling sheikhs have always preferred to regard the immigrants as a transitory population. But an increasing number of voices are beginning to ask whether they are truly the drifters the sheikhs like to portray them as.

Not even the meagre numbers of UAE citizens are all ethnic local Arabs. Some, particularly in Dubai, are of Iranian origin from the southern shores of Iran, while others are those lucky few who have acquired UAE passports after long years of service in the administration or the army. The granting of passports to foreigners is another political hot potato—as yet there is no uniform policy on the issue.

A number of Rulers have attempted to boost the numbers of their subjects by giving passports to the Bedouin who criss-cross the borders. As yet there appears to be no uniformity in passports, for Rulers allow Yemenis or Omanis to acquire UAE nationality after a certain number of years of residence. This is much resented by other States, and recently Dubai accused certain other sheikhdoms of "going their own way and granting tens of thousands of passports to people who did not deserve them."

The immigrants are already well entrenched into society. Most films at local cinemas are Indian and Pakistani. There is an all-English TV channel. Even the local Press is written by foreigners. Prominent merchants may own the newspapers but the editorials are written by foreign Arabs, Indians or English people. Resentment about this situation led one young Dubayan recently to start his own magazine. "I wanted to start something that was written by UAE nationals for UAE nationals."

Besieged

Many of the young nationals feel besieged by the immigrants and their dominance in the administration and private sector. A recent study undertaken by the Abu Dhabi Petroleum department showed that only a tiny portion of the workforce in the oil industry were nationals. Of a total staff of 2,600 in the offshore company, for example, only 1.5 per cent, or 39, were actually nationals of the UAE. In the Abu Dhabi Gas Liquefaction Company they were only 2.7 per cent of the total.

Very few of them are working in managerial positions and the only hope for the rulers of retaining a grip on their most precious asset is that the students currently being trained overseas will eventually take up the managerial reins of their oil industry. In the armed forces the problem assumes alarming proportions. No fewer than 28 different nationalities are represented in the army but only 10 per cent are nationals. Until four years ago the country's intelligence service was run entirely by foreigners.

In the private sector there are also grumbles about the dominance of the foreign element. Until now all Rulers have always taken the attitude that foreigners are good for business and that more TV sets, hi-fis and villas can be sold and rented if there is a large foreign presence. Many nationals still judge their Rulers by the numbers of foreigners they can attract to their Emirate, by how many flats have been let, and by the general level of economic activity in their State.

But nowadays more questions are being asked along the lines as "business for whom?" There is also growing resentment at not only the fact that large numbers of stores and businesses are owned by immigrants but also that even if a shop is owned by a local merchant family the revenues will only go to expansions that bring yet again more immigrants. "Who is this business benefiting—them or us?" is becoming a frequent refrain.

Such questions strike at the very basis of the ways by which the Rulers ensure that the oil wealth is spread. It also undermines the policy of continuous development which has characterised the UAE economy ever since its creation. Such projects as aluminium smelters and sponge iron plants are becoming more and more remote and irrelevant to the bulk of the native population. The Dubai Aluminium Company has yet to receive one application for employment from a Dubai national, and yet the complex plans to have a workforce of 1,750 when completed.

The rapid rises in the population caused by repeated inflows of immigrants makes planning the economy a hazardous affair. By the time a school is conceived, built and open the area's population may have doubled. As soon as they open hospitals become full to overflowing. Yet the population factor has become one of the most important influences in industrial strategy. Projects at Ruweis, Abu Dhabi's oil and industrial town to the west, are now undergoing more scrutiny than before.

Even so, when a prominent sheikh toured the area recently he proudly talked of a city of 80,000 people. "80,000 what?" quipped one Minister. "Where are these people going to come from Do we need them?" Mr. Said al Ghobash, the Minister of Planning, believes that the country should prepare for an eventual population of not more than 1m. Already it is not far off that figure, and no one is talking of a halt to development.

Although the immigration issue may be the hottest talking point among ordinary nationals, it has yet to be discussed in depth in the Supreme Council of Rulers. The truth is that the UAE has no immigration policy—or any official guidelines on such points as passports and the question of whether immigrants should be allowed to bring their wives. Yet these questions have been discussed frequently in the National Assembly, and in its joint memorandum with the Federal Cabinet, immigration and its security aspect and the dominance of foreigners in the public and private sectors were listed as major items for discussion with the Rulers.

Controversy

The last time the Supreme Council discussed the issue the sheikhs decided that it was not a worry, for the immigrants were not there to stay. Now the issue will no doubt become entrammelled in the controversy over the joint memorandum as a whole, and it may be a long time before the immigration question is discussed seriously again by the Council.

Meanwhile the problem remains — and the population continues to grow. In 1977 the equivalent of almost a quarter of the population was given visas—some 226,000 people. Of these, 96,000 were Indians, 53,000 Pakistanis, Arabs only 40,000. By the end of 1978, when the country had experienced around 18 months of recession, the rate, not surprisingly, had dropped slightly, but even so 165,000 visas were issued, the equivalent of 18 per cent of the total population.

Most of course left when their contract was up, but some 25,000 stayed and transferred to other jobs through the help of the government-run labour exchanges. A great many more no doubt found new jobs without any assistance.

The majority of the new labourers are going to Dubai. In 1977 Dubai accounted for 50 per cent of all new visas in the UAE and Abu Dhabi only 24 per cent. However, with Abu Dhabi's new industrial plans swinging into action, the Emirate's share is increasing. Last year it had risen to 34 per cent compared with Dubai's 43 per cent. Each emirate has its own Office of Immigration and Labour, but any attempt to lower the rate of inflow has only met with resistance from local sponsors, who storm to the Majlis and come back armed with an order.

Not only is there no immigration policy: there is no labour code either. Work camps are little more than shanty towns, frequently with little water and rarely with air-conditioning. Workers' accommodation often consists of tents set down on the blistering sands of the desert. Strikes, although illegal, are not infrequent, and are always hushed affairs.

If the local Ministry of Labour Office is called in in time (before the merchant can run off to the Ruler's office and get all the workers deported), its officials have to play not only the role of mediator but union representative as well. The complaints are about money or accommodation, with workers often asking merely for such simple facilities as a bed to sleep on.

Compromise

Whenever the Ministry has been unable to intervene, the result has been a compromise. No one, say officials, has been deported. Considering their numbers and the level of wages, it is surprising there have not been more strikes over pay than there have been. Wages have not gone up for several years even though inflation is still around 20 per cent a year, and a casual unskilled labourer still gets between Dh 22-30 a day.

But the recession which hit the Emirates in 1977 dealt the immigrants a hard blow. A number of businesses went bankrupt, delayed paying wages for several months and left many Asians stranded with no money or a ticket home. Sheikh Sultan of Sharjah found himself feeding around 300 labourers when a local company folded. The down-turn in construction has also caused unemployment among the immigrants, an many of them may remain wit out work for six months at time, being kept alive by frien and former workmates. Offi ally, unemployed labourer should leave the country on their contract is over, but usual the abuses by local er ployers continue.

Visas are still being sold bo sides of the Gulf, though on much smaller scale than befo the introduction of new labo laws in August 1977. In th year an amnesty was grant to illegal immigrants, a nearly 200,000 came forward regularise their status in t country.

Nevertheless, the trade human beings continues, w agents in India and Pakist offering potential immigra visas and jobs for sums as hi as $1,200. On occasions b are phony, but still thousan of Asian families are pooli their entire family resources buy one member an entry v to the UAE. Local sponsors still finding ways to make mo out of the trade. One of most popular is to ask for, s 50 visas when a project ne only 40, and sell the rest to part of the air fares of other workers.

Labour officials say the ab still go on, but that they expanding their monitoring work to assess the real ne of each contractor. The probl has also been the subject bilateral discussions betw India and the UAE, and b sides have attempted to cl up their own houses. Ministry is also drawing u record of companies so that th history of relations with im grants and their requireme can be constantly checked bef new applications for group v. are given.

The Government believes to a large extent the traffic been "cleaned up," except the odd small contractor, one-time operator. There still incidents reported on b sides; but the ge — u sides, but in general the "slave trade" seems to be o

K.

DUBAI'S MERCHANTS

Commercial elite

"THE ARAB population, including the ruling family, is almost bedouin and their mode of living very primitive. The town has neither electric light nor ice, but an order has been placed for machinery. The drinking water is poor and the climate bad."

This was Dubai in 1946 when a manager of the British Bank of the Middle East (then the Imperial Bank of Iran) visited the State to negotiate a concession for his bank to open a branch. His letter back to head office described the arduous life that the first branch manager would have to lead, but also testified to the canny negotiating abilities of the Ruler's son, Shaikh Rashid, and to the wealth of the merchants, one of whom already had a capital of Rs 3m.

By 1946 Dubai had been a growing force in the commerce of the Trucial coast for more than 50 years. It is often thought that Dubai's rise to become one of the most extraordinary commercial phenomena of modern times—and the parallel eclipse of its northern neighbour, Sharjah—date only from the end of World War II. In fact the process began much earlier, towards the end of the last century, when Sharjah languished under the weak rule of the Qawasim (once the most feared name on the Trucial Coast), while Dubai since those times has had rather clever rulers.

A banker recently ascribed Dubai's rise to the energetic, liberal and pragmatic policies of the Makhtums and to their having "none of the political enthusiasms or romantic delusions of the Qawasim." From the late nineteenth century it seems that Sharjah's population under this ineffective regime actually declined.

One of the first commercial coups engineered by Dubai at the expense of Sharjah occurred ... What happened was that the Bombay and Persia Navigation Company decided to cancel its service to Sharjah, whereupon the agents of the British India Line in Lingeh (southern Iran) sent a representative to the Ruler of Sharjah to negotiate an agreement with their own client. The Ruler of Dubai heard of this and commissioned a pearl merchant who knew the Sheikh of Sharjah to call on that sheikh's majlis daily and to talk disparagingly of foreign ships calling at Sharjah. In general terms his argument is supposed to have run as follows: "Having got rid of one lot of foreigners with their drink and bad habits, let us not replace them with others."

The result was that the Ruler of Sharjah hesitated, at which point the Ruler of Dubai sent for the agents and granted permission for the British India Line to use Dubai port. Of course this anecdote may not be literally true, but like all legends it would probably not have gained credence had it not seemed a good illustration of Dubai's qualities of resourcefulness compared with the religious fervour of Sharjah.

Refuge

During the next few decades Dubai gained further advantage through the arrival of many of the trading community from Lingeh, bringing with them their capital as well as their commercial expertise. The reason for their emigration was that Reza Shah in the 1920s was setting about exercising the authority of the central government in areas of his realm which had previously been semi-independent (Lingeh being one of these), while the choice of Dubai as a place of refuge was dictated by its tolerance compared with Sharjah's dislike of foreigners.

There were already in Dubai a number of Indian traders who had been there for perhaps a century, but the Persians came to predominate in wealth and numbers. Later the Imperial Bank of Iran manager estimated that 80 per cent of the merchants were Persians. "They enjoy the Sheikh's protection and are virtually Dubai subjects, but they maintain their own language and wear the old form of Persian dress." In the years after the Persian immigration the development of Dubai attracted further arrivals, from Sharjah, including the Owais family, who were big pearl traders and today are perhaps the most prestigious merchant family in the State.

Although in the years between the wars Dubai was not nearly as big or prosperous or as outward-looking a community as Bahrain (or Kuwait for that matter) it was a far bigger centre than anywhere on the Saudi Gulf coast, Qatar or Abu Dhabi. (Interestingly Abu Dhabi also had a reputation for tolerance, but it had none of Dubai's commercial contracts.) It was in Dubai creek that the pearl fleet of the coast congregated, even though the pearl banks were in Abu Dhabi waters, and it was also Dubai which in 1938 saw a constitutional movement force reforms on the Ruler.

The British were openly hostile to the movement, because it was with the Rulers in person that they had their treaties of protection, and in the end the movement was broken up by differences among its members over how the reforms should be implemented. Yet the mere fact that the movement ever took place gives the lie to the common Western impression that the only political quarrels of pre-oil Arabia took place within the ruling families and that outside these families a politically

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TOURISM

:ncouraging sunseekers

MOST people in ..till think of the Emirates in terms are hopes that soon ı seekers will also a holiday resort. mpts to market the lready been made organised package ıen successful, with ssing surprise that ː to the desert than

ıl occupancy well · cent for all but a ıtels, tourism holds ː for several major ınly Abu Dhabi is ıly short of hotel vith its oil wealth d to think seriously ts. Dubai, which ıe opening of the illion and Grand last year, has a of businessmen to ncy rates. Sharjah, ırious beach front ding the Meridien, ı Holiday Inn and ıb, is struggling. the President of ental Hotels said in ree of their hotels in the UAE would ː for several years. being built with nsiderations, not in mind. Only the Continental was d despite the commitment still running at over occupancy.

ːh and the Northern ıich seriously look a source of income. articular, has made this year to set a tructure. orepared by Lufthansa l years ago is now off and its recommendations eriously studied. It the town of Sharjah ert and east coast ld form the three Camel and landings, visits to ıs, beach barbecues ious attractions of urshire should be ertised in Europe. serious interest that now established a rist board, headed ːborn Louisa Montague ntly returned from one, she said opera- ːedict that Sharjah

The Marbella Club alongside the Khalid Lagoon, Sharjah

will become a major mid-winter holiday spot, capitalising on its one main advantage, *dependable* sunshine.

Miss Montague has already proved that tourism is viable, organising several successful tours through the Emirates, and this year she led a group of 400 Germans from the ship Europa.

The operators of Sharjah Airport, too, believe in the potential—indeed it is one of their main marketing planks. They foresee a boom in travel from Europe to the Far East, with Sharjah developing stopover holidays. Singapore built up its reputation in much the same way, offering cheap duty-free shopping, sunshine, good hotels and very little else. More than one local businessman foresees the UAE becoming the Singapore of the Gulf, attracting not just long-distance travellers but also visitors from other Gulf countries.

Optimism

Already two of Dubai's richest merchants, Al Ghurair and Al Mulla, are building Singapore-style shopping plazas which are aimed at visitors as much as the local market. Al Ghurair is spending over Dh 300m to build a flat and shopping complex and has hired the management services of one of Britain's most successful shopping complexes in Manchester. Al Mulla has retained one of Singapore's biggest property development companies, and there is no shortage of optimism that it will soon see a return on its capital.

Although Sharjah is ahead on setting up a tours structure, Dubai is catching up. Dubai National Air Travel Agency (DNATA) is setting up its own tours and is co-organising, with a leading Middle East travel magazine, an exhibition and conference on tourism. To be held in the Dubai International Trade and Exhibition Centre, Arab Travel '80 will, it is hoped, put the UAE firmly on the holiday map.

"Now that business travel is levelling off, the facilities of hotels, airports and travel services are available for pan-Arab travel and inbound tourist traffic," say the organisers. It is significant that Dubai was chosen by delegates at the last Arab travel conference, held in London in February. Over 30 per cent of those present voted for Dubai as the next venue, which DNATA believes confirms "Dubai's role as a focal point of travel in the Arab world."

DNATA will be handling all the ground arrangements in Dubai for exhibitors, delegates and visitors and will offer tours around the UAE. There is a strong belief that, once tourism actually gets beyond the talking stage, it will take off under its own momentum.

There is no shortage of optimism in the trade, but even the most enthusiastic admit there are still several stumbling blocks. Chief among these are the high cost of flying, visa controls and the most recent of all—restrictions on alcohol consumption.

The cost of rooms is no longer such a drawback, since rates have stayed much the same while others around the world have risen. It now costs more to stay in the London Hilton than in the Dubai Hilton. If prohibition becomes total in Dubai, and not as seems likely, merely restricted to European expatriates, tourism would be killed stone dead in Dubai. No one from Europe is going to fly halfway round the world to be told they cannot have a drink. As far as visitors, as well as expatriates are concerned, Sharjah would stand to profit.

A change of policy is also needed over air fares and visas. The Gulf is still one of the most expensive sectors in the world to fly to, and Gulf Air maintains a monopoly on local flights which invariably keeps prices high and service mediocre. Travel agents will have to insist on a relaxation of these restrictions. The advent of charter flights, either to the Gulf area itself or as a stopover point to the Far East, will be an important step in the development of tourism.

Freddie Laker-type charter flights have already been proposed, and this could bring the cost of a single fare between London and the UAE down to around £85. Scheduled airlines, particularly Gulf Air are believed to be putting up a predictable resistance to such plans, but despite this the first cheap flights did get off the ground this summer. Airports and hotels are confident that the advent of regular cheap flights to the Gulf is only a matter of time.

One way of overcoming visa regulations—which for most travellers from Europe means time consuming application to a UAE Embassy—is for hotels to act as sponsors. Some have already done this for groups from other Gulf countries (notably expatriates from Saudi Arabia who come to the UAE for R and R), but they may be reluctant to take on sponsorship of larger groups. Technically they are responsible for any misdemeanour committed by those they sponsor.

It is likely that visa regulations (and prohibition) will be discussed by the new cabinet once the political climate in the UAE stabilises.

Possibly more of a drawback, and certainly one which cannot be changed, is the climate. Most Europeans take their holidays in the summer—a time when temperatures in the UAE run at around 110°F and 90 per cent humidity. Optimists point out that winter temperatures in the UAE are near perfect and more and more Europeans are taking holidays at this time of year.

C.M.

ːrchants

CONTINUED FROM PREVIOUS PAGE

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bly the presence of an Sharjah meant that the man Scouts were estab- lished in that State when they were formed at the beginning of the 1950s to confront the Saudis in the Buraimi Oasis dispute. Likewise the presence of the aerodrome brought a small RAF establishment to Sharjah during the war, though this did not expand into a military base of significance until after the British withdrew from Kuwait in 1960 and Aden in 1968. A consequence of the British presence was to inject money into the Sharjah mercantile community and to help maintain the relatively high educational standards of the State's people —standards which are based on the State's traditional higher degree of religious learning.

Economically, Sharjah's relative decline continued during the 1950s and 1960s. In the *early 1960s there was the Ruler's* singularly unwise decision to tax gold imports, which coinciding with the opening of a new Dubai airport diverted what gold trade Sharjah had had to Dubai.

Much more important, however, was the gradual silting-up of Sharjah creek. The entrances of most of *the creeks* along the Trucial Coast used to change position from year to year, and in heavy seas it was often impossible for barges or dhows to *find* the creek entrance at either Sharjah or Dubai. As the sand barriers at the mouths of the creeks built up, boats in heavy weather would have to get in by riding the surf, which meant that if they miscalculated and found themselves hitting the sand bottom in the trough of a wave they would be swamped by the next wave.

Because the Ruler of Sharjah failed to act to stop the accumulation of Sauds soon enough, there came times when boats found themselves trapped in the creek for days or weeks waiting for a higher than usnal tide which would enoble them to get out over the sand bar. In about 1960, which is when Gray Mackenzie stopped operating in Sharjah, conditions became intolerable, and when a few years later the Ruler sought help from the Arab League (in contravention of his treaty obligations to the British) his action helped the British make their decision to depose him.

Sheikh Rashid of Dubai meanwhile emborked on more acceptable policies for the improvement of his creek, and began to take action at an earlier date. In the *early 1950s, in concert* with the Political Agent, he brought in the British consultants Sir William Halcrow to do a report on the improvement of the creek, but although he issued creek bonds, the scheme foundered through lack of money.

It was only in 1958 that he approached the Government of Kuwait, which produced a £400,00 loan, guaranteed by the British Bank of the Middle East. This first creek project deepened the creek and cut a proper entrance, which was stabilised by the construction of a breakwater to stop the formation of further sand bars. (The land reclaimed in the process has since been of great profit to Sheikh Rashid.)

After the first scheme was completed in 1963 further improvements were made more or less continuously. The creek was further deepened and by 1970 it had nearly a mile of steel-piled wharves. (Today oil production platforms are floated down the creek from McDermott's yard. Trade expanded dramatically. In 1963 imports other than gold were worth about $25m, in 1967 the figure had reached some $85m, in 1971 *$220m and in 1973 $605m.* Apart from goods sent to other Trucial States, about 15 per cent of the imports of 1971 were recorded as being re-exported. A large *proportion* of *this* trade, much of it in cloth and medicines, was smuggled, mainly to southern Iran.

Smuggling

What attracted much more international attention, however, was the gold smuggling business. This trade came down from Kuwait in about 1952-3, as the surge in Kuwait oil revenues in those two years opened up more conventional import opportunities for its merchants. Virtually the whole of the Dubai merchant community got involved in gold: the Ghurairs, Galadaris (who had some of the best dhows and made perhaps the biggest *fortune* almost entirely out of gold), Juma al Majid, Mohamed al Gaz, Mohammed al-Mullah, the al-Owais family, a Pakistani known *simply as Harun, Mohammed* Ibrahim, Othman Sagar and many others including Europeans, who could deposit a sum of money with a smuggler and *receive their dividend, together* with accounts, at the end of the season.

The procedure was that the gold was flown in from London or Zurich perfectly legitimately, being bought sometimes by the smugglers themselves and sometimes by a few merchants who prefered the slightly less hazardous speculation of just playing the gold market and making their profit on a small margin when they resold in Dubai. One of the businesses to specialise in this was owned by the Futtaims, who now have probably the biggest and certainly the best managed business in the UAE.

Once in Dubai the bullion, mostly in small 10-tola bars, was loaded into innocent looking dhows which were able to mingle with the Indian fishing boats and transfer or beach their cargoes somewhere near Bombay. The gold was paid for partly by the under-invoicing of Indian exports or the over-invoicing of legitimate Dubaian re-exports, but more often by the export of Indian silver, either in bars or in coin.

Much of the coin dated back to East India Company days or earlier, and a lot was said to have been looted from temples. Before being flown back to London, the silver would be used as security for the bank loans financing the next batch of gold imports, though as the quantities grew bigger and bigger the banks gave up physically transferring the bullion into their vaults and let it rest in the dhows. To check that the *silver* was genuine they would test it with nitric acid.

The turnover in the gold business grew steadily until it reached a record of 259 tonnes in 1970, representing slightly more than 20 per cent of the non-Communist world's new gold supply that year. Inevitably the Indian authorities reacted. Cargoes were seized or dumped, and dhows started coming home riddled with bullet holes. There was even a mutiny, when a crew seized its cargo and disappeared.

Much worse for the smugglers was the rise in the price of gold in the early 1970s, which put gold beyond the reach of the Indians and led to the disastrous month of June 1973, when Dubai's imports of the metal hit zero. From this and Mrs. Ghandi's imprisonment of a lot of the importers the business has never really recovered.

In 1974 Dubai imported only $5\frac{1}{2}$ tonnes, in 1975 9 tonnes and *in 1977 41 tonnes.* Much of the imports of recent years have gone to make jewellery for legitimate re-export.

The past six or seven years have not only seen a *growing* proportion of Dubai's trade coming through the expanded airport and the deepwater port outside the creek, opened in 1970. They have also seen a transformation of the re-export business into something just as big but almost entirely legitimate.

Dubai still *imports some* 10 watches per head of resident population per year, along with four transistor radios, three radios-cum-sound recorders, and one *television for every two* persons. It also imports the better gold jewellery, are taken out—often to be sold on the black market—by the huge numbers of foreign residents returning home for their annual holidays and by the business visitors who pour through the State. part of a gallon of perfume per adult female resident.

The difference now is that instead of being shipped out by the merchants, these goods, along with large amounts of

Michael Field

HISTORY

Shift in the balance of power

"THE SHAIKHLY families of the Trucial Coast are . . . quite the stupidest people with whom it has ever been my misfortune to deal—a country yokel from a remote village in England or Scotland is a highly intelligent individual compared with a Trucial Shaikh."

So wrote Col. Hugh Biscoe, the British Political Resident at Bushire, in 1932 as he tried to cajole the Rulers of the Trucial Coast—now the UAE—into allowing Britain to construct airports in several places. H. R. P. Dickson, the famous Political Agent in Kuwait, was called in to help and was barely more impressed, saying: "It would be hard to find anywhere in Arabia a more uncouth, suspicious and backward lot of Arabs."

It took Britain eight years to acquire landing facilities for aeroplanes or flying boats at Abu Dhabi, Dubai, Sharjah, Ras al Khaimah and Kalba.

Tempers became frayed in the process because the officials responsible had no sympathy for the rivalries between the sheikhs and for the political problems they faced inside their territories — tensions Britain exacerbated by trying to force something on them from outside. (Once they became independent of Britain some Emirates had all too little hesitation in building new airports.)

The period between about 1910 and 1940 was crucial in the evolution of the sheikhdoms that now make up the UAE. It saw the two most southerly Emirates, Abu Dhabi and Dubai, gradually build up their strength in different ways relative to the northern Emirates—even before the discovery of oil after World War Two.

Characteristics

It is much easier to appreciate the achievement of the UAE today if one knows the recent history of the sheikhdoms, their underlying tensions and the characteristics of their ruling families. That has for the first time been made possible by Rosemarie Said Zahlan in The Origins of the United Arab Emirates (Macmillan £10).

The book's principal sources are the now declassified records of the British Persian Gulf Residency. The Trucial States—so called because of the truce treaties Britain signed with them from 1820 onwards—were looked after by the British Political Residency in Bushire, who was responsible to the government of India — for a major aim of British policy in the Gulf was to safeguard the route to India.

The Political Resident had a Residency Agent based at Sharjah, an Arab—indicative of the indirect control Britain exercised. Britain wanted peace at sea (no "piracy" or naval warfare between sheikhdoms), the curbing of the slave and gun trades and the exclusion of other powers from relations with the Trucial states.

But it did not profess to intervene in the domestic affairs of the states on the coast, which were allowed to keep their traditional forms of government. However, it did not hesitate to intervene on the coast when its own interests were involved (the traditional method of intervention was to send a warship to cow people into submission, either by its presence alone or by shelling a fort or capturing some pearling dhows).

Despite being mainly external, the British role had an important effect on the balance of power within the Trucial States: by curbing the sea power of the Qawasim who rule Sharjah and Ras al Khaimah it hastened the ascendancy of the Bani Yas, the inland tribe which provided the rulers of Abu Dhabi and, through a side branch, of Dubai.

Abu Dhabi had already become the most important sheikhdom on the coast before World War I, thanks to the decline of the Qawasim and the 46-year reign of Sheikh Zayid bin Khalifah of Abu Dhabi, who died in 1909.

Sheikh Zayid, grandfather of the present Sheikh Zayid of Abu Dhabi, extended his rule over a number of inland tribes which formerly had been loyal to the Qawasim.

Abu Dhabi was easily the biggest State on the coast, though its population was the third biggest in 1908 when it was estimated at 11,000, of whom about 6,000 were in Abu Dhabi town itself. It had fallen by 1939 to 10,500. Dubai's rose from 10,000 in 1908 to 20,000 in 1939, while Sharjah's fell from 15,000 in 1908 to 5,000 in 1939.

A key weakness of the sheikhly system of rule is the absence of primogeniture or any other fixed procedure of succession. As Dr. Zahlan says: "The struggle for power has thus been almost a natural adjunct to the death, natural or otherwise, of a ruler, and successors have had to make sure of wresting complete control of the sheikhdom from their relatives before beginning to exercise absolute power."

Instability

She goes on: "Most of the rulers of Abu Dhabi and Sharjah (in the past 150 years) have been deposed or murdered: in *Ajman* and Umm al Qaiwain just a few have: and in Dubai not one ruler has been formally deposed."

Instability, because of succession problems, hit Abu Dhabi badly after Sheikh Zayid bin Khalifa died, and much of his achievement was undermined. In the next 19 years four rulers came to power as a result of murder. Abu Dhabi knew no stability until Sheikh Shakhbut bin Sultan, eldest brother of the current Sheikh Zayid, established his position after he came to power in 1928.

Sheikh Shakhbut, who was peacefully deposed in 1966 by his brother because of his refusal to develop his Emirate with his newly-acquired oil revenues, has generally had a bad Press. "The worst cross I ever had to bear," Sir Hugh Boustead, a later political agent, called him — but from this book Sheikh Shakhbut, who still lives at El-Ain, emerges as a shrewd and far-sighted ruler who restored Abu Dhabi's position.

He successfully resisted Saudi Arabian attempts to encroach on his territory and consolidated Abu Dhabi's control of Buraimi oasis. He stood up to the British Government for several years when it wanted to establish RAF landing and refuelling facilities in his Emirate, backing down only when Britain threatened to cut the pearling fleet off from the pearlbanks; and held out longest of the Sheikhs before granting oil exploration and production concessions in order to get the best terms possible.

And he saw before most of his contemporaries the importance of defined, recognised *borders* between the Emirates. He reached a border agreement with Dubai in 1937 (the agreement did not last, however, and the two Emirates fought a war from 1945 to 1948).

The foundations of Dubai's prosperity were laid by the current Sheikh Rashid bin Said's grandfather, Sheikh Maktum bin Hashar. The Emirate was always built on trade, profiting from setbacks to other trading centres (notably Sharjah and Bandar Lingeh in Iran), and from a positive attitude to innovation (as in attracting steamer services which Sharjah was half-hearted about).

Dubai was, Dr. Zahlan says: "In the vanguard of the economic and social transformation of the *Gulf for it* was there . . . that a new merchant class who did not rely entirely on the pearl trade began to be formed." The handover of power from one sheikh to another was not always undisputed but up to the accession of Sheikh Said bin Maktum in 1912 there was no serious move to depose a ruler."

But Sheikh Said, a genial and intelligent man, had *difficulty* controlling his relations and was dominated by his wife, Hussah bint Murr, and, later, his son, Sheikh Rashid. Hussah bint Murr was a remarkable woman who engaged in trade on a large scale and held her own majlis (court) for men. When Sheikh Said in 1929 ran into problems with his own majlis, which was critical of his ineffective rule, he offered to resign, preferring that to fighting "as his fellow rulers would surely have done," Mrs. Zahlan writes.

"He obviously did not think that the total disruption of the economy was a fair price to pay merely to save his position." But he stayed in power because the British refused to recognise a successor.

With such relatively practical traditions it is not surprising that Dubai was the first Emirate to build up modern administration (or that it is so proud of its lean efficiency today). But this came about mainly through opposition to Sheikh Said from his cousins, living across the creek in Deira who were a source of almost constant difficulty in the 1930s.

Matters came to a head in 1937. Rashid (who succeeded his father in 1958), had a monopoly of the taxi service in Dubai and was incensed by competition from a cousin who ran his own service between Dubai and Sharjah. He collected 30 armed men and attacked the rival car, wounding its driver and putting some of the rival's men in the stocks.

As a result the people of Dubai, led by the al-bu-Falasah cousins of Sheikh Said, rose up and pressed for reforms, including a budget and civil list, with fixed allowances for the ruling family; better health care and sanitation; a police force; re-organisation of the customs department, and abolition of the monopolies held by the ruler, his wife and his son (which included ferry services, motor services and the unloading of ships' cargoes).

Parallels

One can draw parallels between the Reform Movement of Dubai and the disturbances earlier this year in Ras al Khaimah. A majlis representing the principal people of Dubai was set up and a number of reforms implemented, laying the administrative foundations of a municipality and starting town planning.

But the reformers suffered from confusion between lofty ideals and the self-interest of a group of al-bu-Falasah. In March 1939 the majlis went too far when it decided that the ruler should have a fixed income of 10,000 Rupees a year. A coup was staged on the occasion of Rashid's marriage to Sheikhah Latifah of Abu Dhabi (Sheikh Zayid of Abu Dhabi's first cousin).

As Abu Dhabians swarmed into Dubai the opponents of the ruler were defeated, a few of them killed and others driven into exile. The old majlis collapsed, and Said re-established his power with a new one, but the imprint of the reforms stuck. In the autumn of 1939 Said had five people in Deira arrested for alleged plotting: they were tried and had their eyes put out with hot irons. It was the end of the Dubai reform movement.

Sharjah, once the leading sheikhdom on the coastline, was already in decline towards the end of the 19th century, thanks to the suppression of Qawasim seapower, family quarrels and the rule of the feeble Sheikh Saqr bin Khalid between 1883 and 1914.

Sharjah lost the support of the bedouin on whom it had depended. In 1921 Ras al Khaimah which had had de facto independence for many years was officially recognised as a Trucial State by Britain, and this and other setbacks led to Saqr's successor Khalid bin Ahmad being forced out of power in 1924.

In 1936 Britain recognised the separate status of Sheikh Said bin Hamad of Kalba, a former possession of Sharjah on the Gulf of Oman, in return for Kalba becoming an emergency landing ground for Imperial Airways. This involved Britain breaking a solemn promise to Sheikh Sultan bin Saqr of Sharjah in 1932 that it would "do nothing to take away your lands from you."

Asked whether Sheikh Sultan bin Saqr would take umbrage at this, Colonel (later Sir) Trenchard Fowle at Bushire replied: "I do not think it matters even if Shaykh of Sharjah takes umbrage." Kalba survived as an independent sheikhdom till 1952, the landing ground having become redundant and its ruling family enfeebled. Britain then recognised Fujairah as the seventh Trucial State.

Altogether, six towns in Sharjah attempted to secede formally between 1924 and 1939, while the history of Sharjah remained turbulent until 1971 when Sheikh Sultan bin Mohammed succeeded.

Ras al Khaimah's separate status developed in the second half of the 19th century, though British recognition did not come until 1921. Anyone who knows Ras al Khaimah today will find much that is familiar about the rule of Sheikh Sultan bin Saqr, uncle of the present Sheikh Saqr bin Mohammed who deposed him in 1948. In 1929-1930 Sheikh Sultan had a tussle with Britain over the use of his creek as a landing place for RAF seaplanes.

His response to British cajolery was to threaten to put himself under the protection of King Abdul-Aziz ibn Saud of Saudi Arabia and end the treaty with Britain. He backed down when the Royal Navy captured eight Ras al Khaimah pearling dhows.

In 1935 he took the opportunity of a visit by the French destroyer Bougainville to ask for arms and surveyors to look for oil—he initially thought of making a secret treaty with France until he discovered it was allied with Britain. He delayed signing an oil concession agreement until 1945, allowing only an exploration agreement in 1938 thus losing the financial benefits of a full concession which his fellow rulers obtained.

Doubtful

Dr. Zahlan says: "It is doubtful whether he carefully considered the outcome of his attitudes before assuming them. He was an independent ruler and wished always to be treated like one; the fact that he was powerless to resist the stronger forces with which he was confronted did not seem to count."

He and the British detested each other: they referred to him at different times as pusillanimous, obstreperous, arrogant, stubborn, recalcitrant and mentally deficient. He once cut the water supply to the Residency Agent's house in Ras al Khaimah, forcing him to flee on board a warship, and on another occasion had his passport taken away for insulting a naval officer.

The two longest reigning Sheikhs in the UAE ar[e] Sheikh Rashid bin Humayd [of] Ajman who came to power [in] 1928 and Sheikh Ahmad bi[n] Rashid of Umm al Qaiwain, wh[o] came to power the followin[g] year. But while the successio[n] in Ajman was peaceful an[d] Sheikh Rashid obtained [a] reputation for good gover[n]ment, Sheikh Ahmad came [to] power at the end of the seve[n] year power struggle among th[e] ruling family.

The British Political Reside[nt] took a dim view of him in 192[.] describing him as a "heav[y] irresolute-looking individual while in 1935 the Senior Nav[al] Officer in the Gulf said he w[as] "gross in person and appa[r]ently lacking in intelligence . . . certainly the least attracti[ve] personality on the coast." Y[et] he was able to keep a secu[re] and peaceful hold on [his] sheikhdom and acquire co[n]siderable personal wealth.

The British were wont [to] congratulate themselves on t[he] success of their economical r[ule] of the Trucial Coast. Betwe[en] the world wars they were a[ble] to obtain what they want[ed:] peace, the establishment of [an] air route and the granting [of] oil concessions to a Briti[sh] controlled company rather th[an] an American one.

Peaceful external conditi[ons] gave the states a chance [to] develop their economies — [a] chance only Dubai took f[ull] advantage of. The states s[ur]vived the rise of Saudi Ara[bia] and Iran. But the British [did] not do anything until well af[ter] World War II directly [to] encourage development, nor sort out the internal bord[ers] between the states, nor to set[tle] finally the ownership of islands in the Gulf between [the] Trucial Coast and Iran.

Britain's departure from [the] Gulf was a unilateral m[ove] which the Sheikhs did not s[eek] and did not want—and it [gave] them only a short time in wh[ich] to unite and decide what [kind] of state they wanted to cre[ate.] It was a difficult birth fr[om] which the federation is [only] gradually emerging.

James Buxt[on]

BY JOHN BARRETT

The birth of the teenage star

: tennis players are ıeir breaths—with gers, coaches and :ause the ages of ıyers are steadily tha stakes continu-

All England Club International Lawn :ration to end the f "shamateurism" duce open tennis in eatening to bold an ledno in any case, ze money was nnly h £2,000 for the s winner. Eleven hey are playing for the men's cham- Wimbledon, which y, will receive

rst year of open 17 tournaments in tries around the ced a tntal nf less 0 in prize money otal ahout a quarter ted for by the npen. Last year's ampionships at the g Meadow complex 480 and the world had risen to $11m.

$12m

tha men are com- ore than $12m from tennis alone and the divide a further last figure is par- ificant, or it proves pioneers who women's pro game re cleverer than thought. Gladys d the eight players llie Jean King and —wbo hecame con- sionals banned hy or signing a token with Mrs. Heldman hat there would be for women-only tnurnaments. How right they were. In America, thanks to the support first of Philip Morris Inc. through their Virginia Slims brand, and now of Avon and Colgate which sponsor the women's series, the women'a game really took off. And this year in Europe, the traditional championships of Germany and Italy have held separate meetings for men and women.

The game, in fact, has become very big husiness for the performers and all thnse peripheral individuals associated with them. As the world bnom spread—and the sales nf rackets and halls illustrate tha pnint, from 7m rackets in 1973 to 13.5m ln 1975, 16m in 1977 and 18m last year; from 10m dozen halls in 1973 to 13m dozen in 1975, 15m dozen in 1977 and 17.5m dozen last year—the players became ideal vehicles for advertising the prodncts.

As they became bousehold namea their endorsement valua iocreased accordingly. A leading player of Bjorn Borg'a status ean expect to endorse products for a sum approaching $1m per year. Even an exciting newcomer like the hlack Frenchman Yannick Noah can command a racket contract alone for $100,000.

With the examples of 17 tennis-made millionaires before them—14 men and three women —it is hardly surprising that promising young athletes are now coming into tennis rather than taking up other sports which used to be more lucrative. No other sport can offer such rich rewards as tennis can now provide and there are figures to prove it. Little Tracy Austin, just 16, turned professional only last October at the Stuttgart tournament which she won. By the end of 1978 she had accumulated $59,625 and this year sha has already taken $250,000 from 11 tournaments. John McEnroe must he the wealthiest 20-year-old sportsman in the world. Last year—or rather after turning professional in June — he amassed $460,285 and hy June 17 thia year he had won another $343,462—enough, one expects, tn keep the proverhial wolf from the dnnr.

Caroline Stoll is another new American teenage professional. Aged only 18, abe won $19,410 from 17 tnurnaments last year and so far this year her 14 tournament appearances have earned her $42,613.

A worrying side-effect of the pressure on the young hnpefuls is an onthreak of appalling hehaviour particularly among the young 14-to-16-year-old Americans.

Gamesmanship

There are many cases of blatant gamesmanship—such as hreaking the concentration of a serving player—leading to ugly confrontations between the combatants and their families whicb is greatly worrying USTA officials. This appears to be the inevitable outcome of dangling a multi-million dollar carrot in front of ambitious players and parents. Happily, the situation does not seem to have reached that stage yet in Europe bnt the signs of pressure are there just the same.

Inevitably all of this frenzied activity creates pressures and the young players growing up in thia new world of big money need belp and protection. Hence the managers have become entrepreneurial barons selling their clients to the highest bidder. They control their movements hy seeking to establish new special events for them to compete in—all richly rewarded.

This newest development in the game—like so many ln the past—has occurred in an uncontrolled manner. The future bealth of the tournament game is constantly under poteotial threat. from the managers wbo understandably prefer tbe ricb pickings of special events tn the lnng slog nf the tournament circuit.

The coaches, too, now play a vital role in guiding the young players through the dense undergrowth of the tennis professional jungle. Without Lennnart Bergelin it is douhtful whether Borg would have achieved such phennmenal success nor would Vilas have become such an effective match player without the shrewd guidance of the hurly Rnmanian Ion Tiriac. And Jimmy Connnrs may he suffering frnm the lack of advice which he once so readily received from Panchn Segura.

The latest transformation of potential intn solid achievement through the help of a coach has been that of the likeable Paraguayan giant 25-year-old Victor Peccl. Ever since he started working last January with Tito Vasquez, the 30-year-old Argentine international, Pecci haa been threatening to make a hreakthrough. It came hrilliantly two weeks ago in Paris, where, in successive rounds he disposed of Barazzutti, Vilas and Connors before lnsing a 4 set final to Borg.

That he should have heen ahle to carry that winning form to a grass surface at Queen's Club last week hy reaching the final again, where McEnroe beat him, speaks much not only for his ability but also for the soundness of Vasquez's preparation. It is a question of belief. Pecci now knows for certain that Vasquez was right when be explained that training and practice are essential parts of a champion's development. The President of Paraguay obviously believes it, too. For after his successful run in Paris he sent Pecci a telegram to congratulate him on becoming the world's most famous Paraguayan.

Ynuth at the helm at Wimbledon: Tracy Austin (left) aged 16; Jnhn McEnroe, 20; and (right), comparative veteran 25-year-old Victor Pecci.

At the other end of the spectrum the "golden oldies" are enjoying a new lease of life thanks to the commercial possibilities which tennis now presents to companies wishing to attack a particular segment of the market. Following on the successful heels of the Almaden Vineyard support for the over 45s bas come the Carte Blanche tour for the 35-year-olds. The chance to see again Rod Laver and Ken Rosewall, Roy Emerson and Fred Stolle (who incidentally has become another successful cnach, his charge being Vitas Gerulaitis) has proved irresistible to the tennis-mad public in America. We shall soon be seeing this group when they make a European tour in the autumn. They are dne to play in Preston and at the Royal Albert Hall.

Despite a growing awareness of the need to join in the commercial race Wimbledon will look very mnch the same as usual this year. If you are one of the 350,000 people expected to visit the championships in the next two weeks, you will notice new buildings, four new courts on the north side of the Centre Court which are not yet in commission, and 1,100 new seats heneath the raised roof of the Centre Court. You will also be able to check your watches hy super-accurate time—the many clocks as well as the digital display above the scorehoards on the Centre and Number One courts are all tuned to a pulse from Geneva, a sign that the All England Cluh is keeping up wlth the times.

The profits from the championships, expected to exceed £500,000, will go as usual to the LTA for the good of tennis throughout Britain. The first priority must be to build the national training centre which Mr. Paul Hutchins, the national team manager, has for so long been pleading for and then a series of custom-built indoor centres dotted around the country. Only then can we expect British youngsters emulating their American and European competitors and hecoming teenage millionaires. Having stated the need I have to admit that I shudder at the prospect.

Letters to the Editor

t for tarism

sor Basil J. Moore, Economics, iversity.

year poses an int for monetarism. Howe has claimed rease in VAT will once-and-for-all blip inflation rate. In ct monetarist prin- money stock were t, the rise in VAT no effect on prices ly in a fall in out- conclusion follows, owth in the monet- es can be contained eted 7-11 per cent y from the monet- ion that it is pri- ong run growth in stock that governs growth in money o the inflation rate. if the rise in VAT milar rise in money inions successfully ep their members om falling, the rise r costs will be pas- ms in higher prices. he increase in VAT e a one-shot but ntinuing effect on rate, boosting it to a higher level. in fact a wage ex- winter, the in- siness demand for finance their higher pital needs will n increase in hank he Bank of En- e forced to permit g of its monetary rgets. As a result will once again be e "tax tax" a mon- for the continuing of inflation. al question concerns r of money wages wage round. Only ot rise to incorpor- ther recent experi- tion rate, will the have a once-and-for- the inflation rate. y echo Samuel Brit- that the Treasury's cast of a 17.5 per ice rate by next ill not have a self- ffect on wage de-

ore, gton Church Street,

need for change and to implement it. But our middle management is seldom trained and even less frequently authorised to introduce changes. Hence the many, entirely new, factories and offices—where trade union resistance is minimal yet overmanning is still considerable.

But the most perplexing aspect of this problem is that while we have gross overmanning on the shop floor and offices, we have undermanning in the export sales departments of British companies: the Barclays study suggested that French and German companies employ two to three times as many sales-specialists as we do. Here again there is urgent need for redeployment.

Andrew Tessler,
Silverwood,
Park Copse, Dorking, Surrey.

Employee share schemes

From Mr. B. A. Cole.

Sir,—Mr. Baizert (June 19) makes the very fair point that "a company which distributes shares among its employees does so to secure their loyalty and greater interest in the company for which they work . . ." In doing so, the company is quite properly following its own interests, and is entitled to put what restrictions it will on the employees' right to dispose of the shares.

He should not, however, object to employees' wishing to hold other shares. This may represent a better investment for the employee, and the social effect is no different. It is therefore difficult to see the justification for tax privileges only for employee share schemes.

In the last Budget there were other priorities. Let us hope that in his second Budget the Chancellor will find room to broaden and rationalise the present tax concessions for employee shares into a tax incentive for anyone who is prepared to save rather than spend.

Mr. Baizert would then be satisfied; he could still give shares to his employees without their being liable to tax on their value. Many other sections of our nation would also be able to build a similar capital nest-egg, even if they did not work in profitable private industry.

B. A. Cole,
"Drake Wood,"
Devonshire Avenue,
Amersham,
Buckinghamshire.

re Britain ging

essler, Research, h

Kaletsky's fascinat- ations (June 19) go of British industry's and largely explain minting productivity r the years. It was over the last two to conduct many production experts itish factories, and ently suggested that e main reasons for ng also lay in the stricted influence of nagement in Britain. ower rationalisation ployment is a con- rocess which in and Germany for is a middle manage- onsibility. This was in a recent report s Bank International in International which suggested that ot just a "trade union but a middle manage- blem as well. The s also a reflection of and ability of middle nt to perceive the

Patterns of poverty

From the Director, Child Poverty Action Group.

Sir,—David Freud's article on "Britain's changing pattern of poverty" (June 19) was welcome in drawing attention to the extent to which increasingly poverty is to be found among families with children. He suggests that the increase in the absolute numbers of poor is largely due to the raising of the official poverty line, as measured by the supplementary benefit scale rates. It is true that there has been some improvement in the level of supplementary benefit relativa tn average net earnings which will have affected the statistics, but it is unlikely to account for such a hig increase and it partly reflects the growing tax hurden borne by workers with children. In any case, as the figures presented by David Freud show, the present poverty line is hardly generous particularly in the case of families. Indeed, if as a growing number of people including the Supplementary Benefits Commission suggest, the child-ren's supplementary benefit rates are too low to meet the basic needs of children, then the current statistics may well be underestimating the extent of child poverty.

David Freud makes a number of useful recommendations for action to take children out of poverty including indexing child benefits. This is a crucial reform, but, first it is important that we get the child benefit rates right. The current rate of £4 is still worth less in real terms than the combined value of family allowances and child tax allowances in 1955, the peak year for child support. The most sensible reform would be to raise child benefit to the level of child support provided for claimants of unemployment and sickness benefit. That would require an increase of £1.70 at 1979-80 benefit rates. Unfortunately, the failure of the Government to increase child benefits in the Budget will make it more difficult in future to close the gap between child support for those in and out of work. It was one of the most disheartening aspects of the Budget that, in office, the Conservative Party forgot so soon its own previous commitment to improving the child benefits scheme.

Ruth Lister,
1 Macklin Street, WC2.

Compensation for lost mail

From the Chairman,
Post Office Users' Notional Council.

Sir,—In his letter (June 16) about the Post Office'a recently launched Postal and Telecommunications Codes of Practice, the Director General of Fair Trading describes them as "a major step forward" hut criticises as "grudging" the compensation limit of £12.50 for articles lost or damaged in the nrdinary mail. He also takes the Post Office to task for not providing compensation for consequential loss.

POUNC and the Office nf Fair Trading were clnsely invnlved with the Poat Office in drawing up the codes and I agree with Gordon Borrie that they are a significant advance in relations between the Post Office and its customers. We did not succeed in persuading the Post Office on every point we would have liked to secure but we made some positive advances.

The codes spell out for the first time what Post Office customers are entitled to expect of the services offered and how to go ahout getting redress lf things go wrong. Perhaps the most important advance is that there is now an independent Complaints Panel to which a customer can take a case which the Post Office bas not resolved to his satisfaction. The existence of this independent arhitration procedure should go a long way towards imprnving the Post Office's approach to the legitimate complaints of its customers. It will no lenger be possible, for example, for Post Office staff to tell a customer that, although he has packed it properly, they are not liable for damage to a parcel for which they are clearly responsihle.

POUNC bas np till now devoted much of its effort to advocating customers' cases in the hope of getting redress from the Post Office on an ex gratia basis. We expect that the codes will do much to influence and improve the way in which the Post Office handles legitimate complaints, and ensure that, where the Post Office make a mess of things, redress will be given as a matter of course.

The codes will be monitored annually by the Post Office, POUNC and OFT. My Council unhesitatingly welcome the codes. They are a very good beginning and something upon which we can build in the light of experience.

John Morgan,
Waterloo Bridge House,
Waterloo Road, SE1.

Indexing tax rates

From Mr. S. W. Penwill

Sir,—It has been reported that the Inland Revenue may be prepared or are considering the application of Corporation Tax on the hasis of inflation-adjusted accounts on the Hyde or other agreed principles.

Reference throughout has been to Limited Companies and the inference has been that tax on inflation-rednced profits will only apply to listed companies.

This should be strongly resisted for lnflation affects the profits of all businesses, and, if the taxation of inflation-adjusted accounts is to be adopted, it should apply to small private companies, partnerships and sole traders alike.

But this would involve complicated accounting procedures possibly beyond the capabilities and the means of the smaller traders, and I wnuld suggest that before such concession is made that a simple formula is arrived at applicahle to all business. I have seen nn satisfactory explanatinn so far of the naed for inflation-adjusted accnunts and suspect that they are purely an academic requirement of the accountancy profession.

Would it not be simpler to apply an annual inflationary index to all profits or to the appropriate tax rates?

S. W. Penwill,
158, Fenchurch Street, EC3.

Distorted incomes

From Mr. Edgor Palamountnin

Sir, — The argument heing carried on in your columns between Mr. Frank Field and his npponents will bave nn conclusion hecause the participants are not starting from the same place. Mr. Field ohviously thinks that what he would describe as the recent "concessinns" given tn higher income aarners are excessive against the hackground of a maintained "tax allowance welfare state." Others would point out, however, that the beneficiaries of these hudget changes ("the rlch") are still notably poorer than their opposite numbers in comparable countries. This is not so much hecause our top rata of tax is bigher as because higber rates still cut in at much lower levels in the UK than in the U.S., Germany or France.

Most people would probably agree with Mr. Field (and with Sam Brittao) that the varlous tax allowances concerned are basically undesirahle; they introduce both complications and distortions. But they — along with the tax-avoidance industry — are an inevitahle consequence of the rldiculonsly high rates of personal taxation which the politics of envy have imposed upon ns.

Edgar Palamountain.
Three Quays, Tower Hill, EC3.

Today's Events

UK: Mrs. Margaret Thatcher, the Prime Minister, meets the TUC economic cnmmittee — followed hy a statement from Mr. Len Murray, TUC General Secretary.

National Union of Rallwaymen conference opeos, Oldway Mansion, Palgntoo (until July 7).

Sir Keith Joseph, Industry Secretary, speaks on wby industry matters, Industrial Society, Londnn.

Local authority white collar workers pay talks resume, London.

TUC-Labour Party liaison committee meets, Congress House, Londoo.

Senior officials from Caribbean Commonwealth countries, and the Carihbean Development Bank, attend Londoo seminar on loternational capital markets (until June 29).

British Medical Association cooference opens at Liverpool University (until June 29).

Statement hy Mr. Oliver R. Tambo, president African National Congress of South Africa, no Anti-Apartheid Movement.

Commonwealth Secretarlat publishea report on extent of devastatioo in Uganda during Amin's rule.

World Food Aid Committee meets in London — EEC proposiog 28.8 per cent increase in contributions.

Prince Charles attends Engineering Employers Federation dinner, London.

Sir Norman Hartnell memorial service, Southwark, Cathedral, nooo.

International Food, Wine and Kitcheo Exhibition opens, Harrogite (until June 30).

Sir Keoneth Cork, Lord Mayor of London, dines with Girdlers' Compaoy, Girdlers' Hall, Basinghall Avenue.

Lawn Tenois Championships at Wimbledon (until July 7).

Overseas: Herr Helmut Schmidt, West German Chancellor, meets Mr. Alexel Kosygin, Soviet Premier, and Mr. Andrei Gromyko, USSR Foreign Minister, in Moscow, to discuss nuclear arms control.

EEC Fisberies Council meets in Luxembourg.

Greek Parliament discusses ratification of EEC Treaty.

Bus and rail fares rise 20 per cent in Irish Republic.

Greek-Arah symposium meets in Atheos fnr trade discussinns (until June 28).

COMPANY RESULTS

Final dividends: Caledonian Associated Cinemas. Cnuotry Gentlemans' Assnciation, James Cropper and Company. Elliott Group of Peterborough, Arthur Holden and Sons. Kleen-E-Ze Holdings. Marshalls (Halifax). Melody Mills. Northern Goldsmiths Company. R. Paterson and Sona. Redland. Walker and Staff Holdings. Whitecroft. Wilson Brothers. Interim dividends: Hardys and Haosoos. J. and H. B. Jackson. J. F. Nash Securities. Vectis Stone Group.

COMPANY MEETINGS

See Financial Diary on Page 7

PARLIAMENTARY BUSINESS

See Parliamentary Diary on page 6

UK COMPANY NEWS

BIDS and DEALS

Electra aims investment toward smaller companies

THE directors of Electra Investment Trust have adopted a policy of gradually switching out of market leaders nto smaller listed companies. The sort of company they are looking for is one in which there are unrecognised opportunities for growth or recovery, says Mr. B. P. Jenks, the trust's chairman, in his annual report.

He adds that the Board will try to accumulate significant stakes in listed companies in special situations which have not been recognised by the market. An investment will be made only if the Board feels it will make a significant impact on the portfolio over a number of years.

The company is researching a number of smaller companies in depth and if satisfied by this research it will be prepared to take a substantial minority stake. But the chairman adds that "it is not normally the intention to buy these stakes to sell them off to a would-be predator, but rather to retain them on their investment merits."

On unlisted investments Mr. Jenks says it is becoming increasingly difficult to find propositions which combine an adequate running return and the possibility of substantial capital growth. But the company is happy to join other institutions in syndicates to acquire minority interests in private companies.

The group is also willing to help in cases in which a subsidiary no longer falls within its parent's corporate plan. Mr. Jenks explains that the parent organisation may come to them to help the subsidiary's management buy out the business from the parent. This would be done in such a way as to enable the directors to participate in the equity.

During the past year the group continued its policy of investing in unlisted companies. Investments totalling £4.34m were made in 15 new companies, excluding Ashunderly Properties, and additions were made to 10 existing holdings. Disposals of unlisted securities realised £1.15m and £394,593 profits.

In the year to March 31, 1979 the group lifted taxable profits from £4.39m to £4.84m on revenue ahead from £4.98m to £5.49m. Net asset value per 25p share is up from 139½p to 163½p.

The final dividend of 3.8p net raises the total from 5p to 5.8p—a 16 per cent increase.

After tax of £1.78m (£1.74m) the net profit is up from £2.64m to £3.05m, and stated earnings per share from 5.403p to 6.244p.

Last year the group through its subsidiary Ashunderly Properties took part in the development of a substantial factory which had been pre-let to one of the UK's largest companies. Electra is to invest about £950,000 in this venture to produce an excellent return, says Mr. Jenks. Further investments in property will be made if suitable opportunities arise, but the group does not plan to invest significantly in this area.

At the year end investments at valuation stood at £85.69m, against £70.65m and net assets at £80.14m (£68.32m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— J. and H. B. Jackson, Kenning Motor, News International, Vectis Stone.

Finals:— Caledonian Associated Cinemas, Country Gentlemen's Association, James Cropper, Elliott Group of Peterborough, Arthur Holden, Kleen-E-Ze, Marshalls (Halifax), Melody Mills, Northern Goldsmiths, R. Petterson, Renwick, Walker and Staff, Whitecroft, Wilson Bros.

FUTURE DATES

Interims:—	
Allied Textile	July 24
Bond Street Fabrics	June 26
C.G.S.B.	June 29
Gillett Brothers Discount	July 25
Lloyds Bank	July 20
Lonrho	June 29
SGB	July 3
Finals:—	
Airfix	July 12
Avana	June 26
Electrocomponents	June 28
Fodens	July 19
Gresham House Estate	June 27
Howden Group	July 12
Leboff (S.) (Fobel)	June 28
Monk (A.)	July 3
Moss (Robert)	June 29
Renold	June 28
Steed and Simpson	June 28
Vinten	July 18

McInerny Properties well ahead

AN INCREASE in profits before tax from £902,977 to £1.05m for 1978 is reported by McInerny Properties, the Dublin-based construction group with extensive interests in the UK and Middle East.

At midway, profits had risen from £443,000 to £465,000 and the directors were hopeful that profits for the second six months would be higher than those in the first half.

Basic earnings per 10p share are almost doubled from 5.2p to 10p and from 5p to 9.6p fully diluted. A final dividend of 2p makes a 4p total for the year.

	1978 £	1977 £
Turnover	32,464,225	28,971,945
Trading profit	334,748	950,886
Associate profit	715,491	352,091
Profit before tax	1,054,239	902,977
Tax	106,822	302,700
Net profit	1,160,061	600,277
Loss depsl. subs.	—	26,068
Dividends	465,191	—
Forward	694,652	†218

† Deficit.

ASSOCIATED ENGINEERING

Associated Engineering is to maintain the gross dividend by declaring a second interim of 0.07p. Both interim dividends will be paid in July 16.

Norcros profit tops £17.1m

PROFITS before tax of Norcros for the year ended March 31, 1979 increased from £14.5m from higher group sales of £198.86m compared with £179.71m.

Profits in the first six months had shown an improvement from £5.54m to £6.53m.

Earnings per 25p share are stated at 13.99p against 14.7p and the final dividend is the forecast 3.18p lifting the total from 4.42p to 4.93p.

	1978-79 £000	1977-78 £000
UK sales	145,300	126,290
Export	21,422	27,631
Overseas sales	32,138	25,790
Total sales	198,860	179,711
Share assocs. sales	13,705	16,832
Trading surplus	19,286	16,858
Associates	348	220
Investment income	1,331	895
Interest payable	3,798	3,461
Surplus before tax	17,168	14,512
Tax	8,328	5,283
Net surplus	8,840	9,229
Pre-acquisition losses	212	6
Minorities	1,169	954
Attributable	7,883	8,281
Preference dividends	110	110
Earnings for ordinary	7,773	8,171
Extraordinary debits	812	764
To reserves	4,222	4,951
Available	2,739	2,456
Ordinary dividends	2,739	2,456

† Including £7.48m exports and £293,000 overseas.

An analysis of sales and pre-tax profit in UK operations shows construction contributed (in £'000s) £42,185 (£43,544) and £3,277 (£2,793); consumer £25,283 (£23,362) and £62 loss (£2,100 loss); light engineering, £19,431 (£16,780) and £1,467 (£1,119); materials handling, £41,273 (£37,142) and £1,738 (£2,113) and print and packaging, £36,550 (£33,093) and £4,747 (£4,194).

Overseas contributed £32,138 (£25,790) and £3,634 (£4,340) and head office and associates £13,705 (£16,832) and £2,367 (£2,053).

The year-end balance sheet shows fixed assets at £34.66m (£32.25m) and net current assets of £45.18m (£43.1m).

● comment

Norcros has narrowly beaten its forecast of £17m made in February during its successful bid battle for Johnson-Richard Tiles, its second half pre-tax growth rate being maintained at about 18 per cent. The big factor in the year's overall improvement has been the £2m cut in losses in the consumer division, where Crittall Warmlife, the double glazing business, almost offset reduced losses of £1.4m at Hygena. Elsewhere the UK divisions have shown steady progress (except cranes) but the overseas operations have been held back by losses of around £1m in France and by difficulties in Nigeria. Meantime a higher tax charge has clipped earnings per share slightly. The company will include a pro forma consolidation of J-R in its annual report, and although exchange losses may have affected the tile company's performance last time, the new group is starting from a pre-tax profits base of some £23m for 1979-80. Demand is buoyant in some important areas—in tiles, for instance, and in double glazing where the delivery time is 20 weeks—but it is worrying that Hygena is still only hovering around the breakeven point in strong market conditions. At 95½p the shares yield 7.6 per cent and the p/e ratio on almost a full tax charge is 6.6.

Brook Street on course for higher first half

The current level of job registrations flowing into branches of Brook Street Bureau of Mayfair is the highest it has known, Mr. E. Hurst, joint chairman, says in his annual statement.

If the trend continues, operating profit in the first half of 1979 should be substantially higher.

Following rationalisation, the Australian companies should begin to move back into profit in the current year.

As reported on April 27, taxable profits were more than doubled in 1978, at £1.91m (£0.9m).

The chairman expects considerable growth in the specialist placement operations in the next decade, with development of the branches and services network. "This should not preclude us from diversifying into other fields should the appropriate circumstances arise," he adds.

It is proposed to introduce an employee profit-sharing scheme.

Meeting, 116, Pall Mall, SW, July 16 at 11 am.

Time Prods. set for further growth

Trading at Time Products in the current year is at a most satisfactory level with the first five months showing a considerable increase in turnover, Mr. M. J. Margulies, the chairman, says in his annual report.

He is sure the group will continue its record of profitable growth, keeping pace with all developments in its field.

In view of the Budget, the directors are increasing the final dividend from 4.8056p to 5.0207p making a total payment for the year to January 31, 1979 of 5.5021p against 1.696p.

Pre-tax profits in 1978-79 increased from £3.87m to £4.9m on turnover of £31.9m, against £24.9m. A two-for-one scrip issue is also proposed.

Last October's rights issue raised £2m and has enabled directors to continue the expansion policy while minimising bank borrowings, the chairman says.

The level of turnover has meant larger stockholdings but the increases required by current trading can comfortably be met from existing facilities. The group is also in a position to expand both by organic growth and by acquisition.

Current turnover of the retail jewellery division shows a considerable advance, against the corresponding figures last year and while it is not always easy to find suitable sites, the group expects to have 99 shops trading by the year end.

Meeting, Connaught Rooms, W.C., July 17 at noon.

Atkins Bros. seeks higher borrowing limit

Atkins Brothers (Hosiery) continues to raise its targets and will maintain its policy of re-equipping together with expansion where possible, Mr. D. Styles, chairman, says in his annual statement.

It is proposed to increase borrowing powers from £1.1m—the amount of the authorised share capital—to £3.03m—the total of the issued share capital plus group reserves.

The directors say that although there is no need or plan to exceed the present limit, it could prove restrictive.

Meeting, Hinckley, July 12 at noon.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Baker Intl. Corp. (Section: Overseas—New York).
Finance 13pc 1997-02 (Regional Markets—Irish).
National 9¼pc 1984-89 (Regional Markets—Irish.
Rockwell Intl. Corporation (Americans).

Thorn expands in U.S. with £13m acquisition

BY JOHN LLOYD

Thorn Electrical Industries, one of the UK's leading electronics and television manufacturers, has acquired the Systron Donner Corporation of the U.S. at a cost of $27m (£13m).

The purchase has been effected by a merger between Systron-Doner and a U.S. subsidiary of Thorn which has been recently created.

The California-based company is a manufacturer of test and measurement equipment, fire protection services and components. It established a small subsidiary in the UK in 1971, in Leamington Spa, Warwickshire.

The merger is part of the UK company's programme of acquisitions in the U.S. In January it acquired a small company named Modutech for $4m.

At the same time it is believed that negotiations for a larger company, Modular Computer Systems in Florida, have been delayed by an investigation into MCS accounts by the U.S. Securities and Exchange Commission.

Thorn said last night that it was continuing to investigate opportunities in the U.S. and that a fuller statement on the Systron-Donner merger will be made today.

PITMAN

The U.S. subsidiary of Pitman, Fearon Pitman, has bought Education Today Company of Palo Alto, California, for $1.7m (£0.8m) in cash.

Education Today publishes Learning, an American magazine for teachers, and runs the Learning Institute which provides training courses for teachers.

Education Today had assets of $0.9m as at June 30, 1978, and made pre-tax profits of $129,000 for the year to that date. Considerably higher profits are forecast for 1978-79.

YOUGHAL CARPETS

The Dutch subsidiary of Youghal Carpets (Holdings), Koninklieke Vereenigde Tapijtfabrieken NV, has completed the sale and leaseback of its freehold premises at Moordrecht, Holland with Westland Utrecht Leasing NV for a consideration of Fl6m.

Interest payments, initially at 9.6 per cent per annum, and capital repayments will be made by KVT over a 20-year period at the end of which the ownership of the property will revert to KVT.

The monies raised through this transaction are being used to reduce the Youghal group's borrowings in Holland.

PRICEL OFFER FOR VISCOSE MINORITY

PRICEL is to make a cash offer for the shares in Viscose Development it does not already own. Terms are £1.80 for the ordinary and £7.20 for the 4.2 per cent non-cumulative participating preference.

At present Pricel owns or controls 76.42 per cent of the ordinary and 17.32 per cent of the preference.

The offers will be made through a scheme of arrangement, and will lapse if the scheme does not become effective.

The independent directors of Viscose and their advisers, Hambros Bank, will recommend shareholders to approve the scheme, and intend to vote in favour in respect of their beneficial holdings.

ALLIED PLANT

Westcott Development Company, a subsidiary of Allied Plant Group, is paying £300,000 for A. E. Jenkinson, house builder based in Cottingham, near Hull. Jenkinson's pre-tax profits for the year to June, 1978, were £65,273 and net assets on that date were £337,569. APG says the acquisition will extend its house-building operations within the area presently covered.

NO PROBES

The following mergers not to be referred to the Monopolies Commission: Harris Queensway and Hardy (Furnishers); National Enterprise Board and a 50 per cent interest in Yates Duxbury and Sons; H. G. Stanley Holdings and Morris and Blakey wall papers, British Steel Corporation and Herringsbaw Steel.

ALLAN KENNEDY

The listing of Allan Kennedy and Co., industrial flooring manufacturer, has been cancelled because the market capitalisation and shareholding position is such that an adequate market in the security cannot be maintained. Over 99.4 per cent of the shares have been acquired by Ferguson Industrial Holdings.

AMBER DAY

Amber Day Holdings, the fashion group, has just raised £1.18m through the sale and leaseback of its High Street, Birmingham, retail unit. The price received represents a surplus of £700,000 over book value.

Last week Amber Day announced the conditional acquisition of Randall Fashion Group for £1m in cash and an issue of 540,000 new shares.

SHARE STAKES

Capital and Counties Property Company — Costain Group on June 7 acquired an interest in a further 250,000 shares. Total holding on June 14 was 6,150,000 shares (8.014 per cent).

Alliance Investment Company —National Coal Board Staff Superannuation Scheme and Mineworkers Pension Scheme have total holding of 921,468 shares (8.26 per cent) following purchase of 100,000 shares.

Dares Estates—St. Pauls Holdings establishment of Lichtenstein, which holds in excess of 5 per cent of the issued ordinary share capital, has disposed of 500,000 shares. Mr. Peter J. Jackson, chairman of Dares Estates, has a beneficial interest in St. Pauls.

Grovebell Group—On June Soamglow bought 20,000 shares and is interested in 70,500 shares (4.7 per cent). Soamglow is wholly-owned subsidiary of associated company of Sones Investment Company which has 16.3 per cent of Grovebell shares.

R. and W. Hawthorn Leslie and Co.—K. J. Chapman, director, has acquired further 5,000 shares and N. F. List, director, has acquired further 5,000.

Wight Construction Holdings —Thornwood Investments has acquired 11,250 shares, making total interest 184,500 (7.08 per cent).

R. Cartwright (Holdings) Following holdings of directors are notified:—P. R. Wallis, personal 323,400 shares; family trusts 175,560 and as trustee 186,000; J. C. Northam Sales 10,000 shares at 113½p on May leaving holding 189,609; R. Teare sale of 1,000 shares at 116p on June 5, leaving trust holding 10,000 personal holding unchanged at 66,264. Following acquisition of Smith Wallis and Co. following holdings are notified:—Britannic Assurance Company 330,000 shares (5.9 per cent); Imperial Group Pension Fund 407,000 (7.26 per cent); H. B. Wallis—personal family trusts 294,000 (5.26 per cent); Midland Trust following sale on June 1 is no longer interested in more than 5 per cent.

CORAL INDEX: Close 473-478

INSURANCE BASE RATES

† Property Growth	11¼%
† Vanbrugh Guaranteed	12 %

† Address shown under Insurance and Property Bond Table.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Redbridge (01-478 3020)	11½	½-year	200	4-5
Redbridge (01-478 3020)	12	½-year	200	6-7
Wrekin (0952 505051)	12	maturity	1,000	2-3

Public Works Loan Board rates

Effective from June 23

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	12¾	12¼	12½	13⅛	13¾	13½
Over 5, up to 10	12⅞	12¾	13	13⅝	13⅝	13½
Over 10, up to 15	13	13	13½	13½	13⅛	13⅞
Over 15, up to 25	13¼	13⅛	13⅜	13⅝	13⅞	13⅞
Over 25	13⅜	13¼	13⅜	13⅝	13¾	13⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 6.7.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12¼	12½	12½	12¾	12¾

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

INTL. COMPANIES and FINANCE

...erson ...urfit in ...move

...inancial Staff

...PER and packaging ...ferson Smurfit, is to ...ol of the Alton Box ...mpany of the U.S. ... tender offer that ... company at $45m. ... already owns 27 per ...lton Box Board and ... increase its share... 51 per cent via a ...sue for additional ...22 each. Subsequent ...e, the Irish company ... a similar offer for at ...hird of the outstand-...ity of Alton Box

...has been expanding ...t a rapid rate in ...rs. Earlier this year, ...ny announced plans ...11.5m rights issue ... rise of 9 per cent ...x profits to £16.02m ...ear ended January.

...h company will be ...to acquire all out-...ares no more than ...ter the present offer, ...object to board and ...approvals. The latest ...xpected to be made ...r. Smurfit will add ...epresentatives to the ...ton Box.

...result ...urkish ...group

...Munir in Ankara

...largest manufac-...pharmaceuticals. ...Holding, reports ...over of the equiva-...159m for 1978, an ...nearly 50 per cent. ...which has license ...with European, ...and Japanese com-...reased pre-tax profits ...ent to $29m. Invest-...1978 were nearly

...d's other main ...nclude manufacture ...ics, sanitaryware, ...r products, packing ...processed food, ...emicals and welding

Sharp profits fall at General Tire

BY OUR FINANCIAL STAFF

A SHARP fall in first half earnings in spite of improved sales is reported by General Tire and Rubber, the fifth largest tyre maker in the U.S.

The profits setback takes in a decline of a third in earnings per share during the second quarter, which ended May 31. The company blames rising production costs, strikes and keen competition on selling prices.

Sales for the first half year are 14 per cent higher at $1.12bn but earnings per share have slipped by almost a fifth to $1.95. Second quarter turnover has managed to rise by 18 per cent but the pattern of profits has deteriorated leaving per share earnings for the second three months a full 53 per cent lower at $0.53.

General Tire points out, however, that per share earnings for the half year have had to withstand loss provisions against investments in Iran amounting to seven cents. At the same time, there were exceptional gains a year ago resulting from property sales.

The company said its tyre operations had "substantially higher" sales but earnings were down due to continued price competition, higher production costs and the Teamsters' strike. Plastics sales were up but earnings were lower for both periods and the situation was the same for industrial products. Aerojet-General, which also had higher sales, had lower first half earnings in its engineering fabrication and construction segments.

The company said Aerojet's industrial equipment business had sharply lower first half earnings due to low-margin pump shipments, and Aerojet chemical earnings were "considerably lower," due to a lack of raw materials.

Debt plan at Pacific Telephone

By David Lascelles in New York

PACIFIC Telephone and Telegraph, which provides telephone services to large parts of California and Nevada, is tapping all major sources of funds in a concerted effort to reduce its debts which stood at over $4.5bn at the end of last year.

The company announced from its San Francisco headquarters on Friday that it is negotiating a $1bn credit with a number of foreign and domestic banks, which would be available to it for a period of three years. Trading in Pacific T & T shares was briefly suspended on Wall Street pending this announcement.

The company also revealed plans to sell 10m common shares later this year provided its shareholders agree. A. T. & T., the major shareholder, has apparently given its consent but said it would not buy any of the new shares "as long as present adverse regulatory conditions prevail" in California.

Pacific T & T is battling with the local authorities over a ruling that it should cut rates by $82m, and refund to subscribers $300m in deferred tax and investment credits.

Later this week, Pacific T & T will also offer $300m worth of debentures rated single A. This is its second such offering since February.

Bundesbahn to tap West German capital market

BY OUR FINANCIAL STAFF

THE WEST GERMAN Federal Railways (Bundesbahn) is returning to the capital market. The Federal Loan Consortium meets today to set the terms for what is believed to be a DM 600m borrowing.

The German bond market has only recently shown signs of stabilising after a prolonged period of price weakness. Yields have risen sharply since the start of the year, and the most recent long-term borrower—the state—pushed coupons up to 8 per cent for ten-year funds.

At the close of last week, both tranches of the government bond were managing to hold on to modest premiums against their 99.5 issue prices. The six-year offering stood at 99.6, and the ten-year tranche was around par.

● French borrowers plan bond issues totalling FFr 573m on the domestic market next week, with yields on two straight issues moving sharply higher, Reuter writes from Paris.

Pechiney Ugine Kuhlmann plans a FFr 300m 12 year issue with coupon and gross yield at issue both 10.9 per cent. At the same time, Groupement des Industries du Transport et du Tourisme is expected to issue a FFr 173m 12 year bond with coupon of 11.10 per cent and gross yield at issue 11.15 per cent. These rates compare with the 9.9 per cent coupons seen recently on private sector issues.

Three subsidiaries of Credit Commercial de France plan a floating rate issue totalling FFr 100m. The 10 year issue will carry interest of 0.75 percentage points above the monthly average day to day money rates, subject to a minimum of 8½ per cent for the three year grace period and 7 per cent thereafter.

$100m loan for Credit National

By Francis Ghilès

CREDIT NATIONAL has arranged a $100m 10 year credit on very fine terms through a group of six banks led by Banque de l'Indochine et de Suez. Other terms include a split spread over the interbank rate of ⅜ per cent for the first three years rising to ½ per cent for the remainder of the life of the loan with six years grace.

The borrower is paying a commitment fee of ⅜ per cent which is largely cosmetic as he has to draw down the money within two months of the signing.

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

	Date	Announcement last year
Airlie Inds.	July 19	Final 1.993
Alexanders Discount	July 5	Int. 4.5
*Allen (E.) Balfour	June 27	Final 3.13
Allied Colloids	July 12	Final 1.117
*Arbuthnot Latham	June 21	Final 6.23
Associated Communctns.	June 22	Final 4.2164
*BAT Inds.	June 26	Sec. int. 5.0
*BPB Inds.	June 28	Final 3.524
Barclays Bnk.	July 27	Int. 8.05
Bath and Portland	July 4	Int. 1.9
Birmid Qualcast	July 12	Int. 1.5
British Dredging	July 10	Final nil
*Butterfield Harvey	July 11	Final 1.24
*Charter Consd.	July 4	Final 5.2764
*Chubb	June 27	Final 2.496
Davy Corp.	July 25	Final 7.425
Distillers	July 13	Final 4.5642
Dowty	July 19	Final 2.255
*Elliott (B.)	July 27	Final 2.989
Fitch Lovell	July 27	Final 2.812
Fodens	July 20	Final 3.35
General Electric	July 6	Final 2.046
Gestetner	July 14	Int. 2.125
Great Univ. Strs.	July 20	Final 4.64
Haslemere Ests.	July 20	Final 3.229
Hogg Robinson	July 19	Final 2.58
Howden	July 13	Final 3.1543
Imp. Contntl. Gas	June 27	Sec. int. 5.806
*Imperial Grp.	July 12	Int 2.25
Inchcape	July 27	Final 9.0
Initial Services	July 21	Final 6.059
*LCP	June 29	Final 2.79
LRC Intnl.	July 12	Final 1.53
Lloyds Bank	July 21	Int. 4.635
*MK Electric	June 27	Final 2.89
Magnet and Southerns	July 18	Final 5.432
Meyer (Montague L.)	July 17	Final 2.973
Midland Bank	July 25	Int. 6.5
*NatWest	July 24	Int. 5.682
*Plessey	June 25	Final 2.573
*Powell Duffryn	June 27	Final 6.5
*Rank Org.	July 19	Int. 4.0
Raybeck	June 27	Final 2.3512
*Rediffusion	June 29	Final 3.916
*Redland	June 29	Final 2.126
Renold	June 25	Final 6.941
Rothmans Intl.	July 14	Final 1.327
SGB	June 27	Int. 2.75
Sheepbridge Eng.	June 22	Final 2.25
Staffs Inds.	July 28	Final nil
*Stenhouse	Aug. 21	Int. 1.825
Stock Conversion	July 26	Final 1.0217
Taylor Woodrow	July 25	Int. 2.01
Thorn Elec.	July 7	Final 2.0
Town & City Props.	July 14	Final 0.01
Unigate	July 20	Final 2.105
Union Discount	July 12	Int. 6.375
Vosper	July 26	Int. 2.5
Ward and Goldstone	July 21	Final 3.672
*Whitecroft	June 25	Final 2.0

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Banks Ltd.	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½ %
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
Credit Lyonnais	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English Transcont.	14 %
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	12 %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½ %
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	15 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½ %
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
60	F.P.	11/7	91	76	B & Q (Retail) 5p	84	+½	2.46	2.8	8.9	18.
§119	F.P.	—	207	137½	‡‡Baker (John)	200	−5	12.0	—	8.9	—
‡‡	F.P.	22.6	53	51	Fulcrum Inv. Income.	52		4.0	—	11.5	—
‡‡	F.P.	22.6	4½	3	Do. Capital 2½p	4		—	—	—	—
§‡	F.P.	—	57½	36	Rock Darham	38		—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
20p	F.P.	11/5	21¼p	16½p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	16½p	−½
100	F.P.	27/7	110½	107½	Kwik-Fit (Tyres) 8% Cnv. Ln. 1979/95	110	
100	Nil	26/6	2pm	¼pm	Marsh'll's Univ'm'l 7¼% Cnv.Cum.Red.Prf	½pm	
100	£10	30/8	12	10	Portsmouth Water 8% Red. Prf. 1984	‡‡	
100	F.P.	11/5	118½	105	Slough Ests. 8% Cnv. 1991-94	108	+1
98	£25	23/8	25¼	22½	York Water 12% Deb 1986	23	

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1979 High	1979 Low	Stock	Closing price p:	+ or −
36	Nil	—	—	4pm	2pm	Causton Sir J.	2pm	
52½	Nil	—	—	6pm	3pm	Combined English Stores	3pm	−½
25	F.P.	8/6	6/7	51pm	40pm	Edwards (Louis C.)	44pm	
128	Nil	29/6	10/8	16pm	5pm	Grand Metropolitan	5pm	−1
12	F.P.	1/6	29/6	15½	9	Hampton Trust	14½	
110p	Nil	5/7	7/9	6pm	2pm	Intl. Timber	2½pm	
154	F.P.	22/6	27/7	171	157	MEPC	159	
85	Nil	—	—	121	101½	P.M.A. Holdings	117	−1
210	Nil	22/6	20/7	60pm	40pm	Peterson Tennant	40pm	
20	F.P.	—	—	43½	29	Provincial Laundries	32½	−½
118	F.P.	1/6	29/6	126	100	Pullman (R. & J.)	105	−1
60	Nil	29/6	20/7	26pm	21pm	Scotcros	23pm	
116	F.P.	11/6	2/7	136	122	Scot. Mot. Prop	123	
265	Nil	15/6	27/7	295	270	Simon Engineering	274	
150	Nil	15/6	13/7	156	142	Smurfit (Jefferson)	149	
455	F.P.	4/6	6/7	507	470	Standard Chartered Bank	477	
138	F.P.	18/6	2/7	145	122	Tilling (Thomas)	132	
175	F.P.	23/5	4/7	249	210	Tricentrol	246	+8
93	F.P.	7/6	13/7	105¾	93	UDS	95	
20	F.P.	19/6	13/7	25½	19½	Wooks Associates	18½	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 Income shares and 10 Capital shares at 125p per unit.

Stock Exchange mini-computer

THE internal financial accounts, budgetary controls and planning of the Stock Exchange will now be administered through the newly installed mini-computer system.

One of the prime uses of the computer will be to assist in assembling budgets and financial reports for the many services supplied by the Stock Exchange to its 4,500 members and the securities industry at large. Among these are the market price display system, the internal telephones and paging service on the floor of the house, and the Talisman service which settles and records daily transactions.

CURRENCIES, MONEY and GOLD

...ouses and the gilt market

...N MILLHAM

...houses had little ...ding day-to-day funds ...days last week. Money ...up at 1½ per cent late ... monthly make up ...ndon banks, bringing ...aries of just over 12 ... when houses found ...ust upon them on ...igure day. At that ...nks were building up ...netary base by increasing eligible liabilities ahead of the reimposition of corset controls, and money lent to discount houses counts as a reserve asset without reducing eligible liabilities.

Last Wednesday's sharp fall in call money seemed to be little more than a coincidence however, but the prospects for the next day looked less rosey.

Disappointing

The situation would have been much worse but for the disappointing response to the two gilt edged "tap" stocks on offer.

For many years the discount houses have been regarded as important operators in the gilt market, but until now no one has tried to make further use of their expertise. Some houses have already moved into the area of fund management. Gillett Brothers, perhaps because of the relatively small size of its pure discount market operation, has seemed more interested than most in entering pastures new.

At the weekend Craigmount Unit Trust Managers launched a gilt trust with Gillett Brothers Discount Fund Management as investment advisers. The estimated gross starting yield is 12 per cent, but this will attract Corporation Tax, which is at present at a higher rate than the standard rate of income tax.

Craigmount and Gillett Brothers feel that with sterling strong and London interest rates high, now is as good a time as any to start a gilt based unit trust. They are obviously hoping for a change in tax legislation, and think that the present Government is more likely to do so than the last.

	June 22	June 21
Gold Bullion (fine ounce)		
Close	$282¼-283 (£131.9-132.3)	$282-282½ (£131.60-132)
Opening	$281½-282¼ (£131.5-131.7)	$280½-281¼ (£131.60-132)
Morning fixing	$281.25 (£131.445)	$280.60 (£131.152)
Afternoon fixing	$283.45 (£132.083)	$282.30 (£131.608)
Gold Coins, domestically		
Krugerrand	$292-294 (£136½-137½)	$290¼-292¼ (£135½-136½)
New Sovereigns	$72½-74½ (£33¾-34¾)	$72¼-74¼ (£33-34¾)
Old Sovereigns	$92-94 (£43-44)	$92-94 (£43-44)
Gold Coins, internationally		
Krugerrand	$292-294 (£136½-137½)	$290¼-292¼ (£136½-136½)
New Sovereigns	$72½-74½ (£33¾-34¾)	$72¼-74¼ (£33¾-34¾)
Old Sovereigns	$92-94 (£43-44)	$92-94 (£43-44)
$20 Eagles	$402-408	$401-405
$10 Eagles	$227-231	$225-230
$5 Eagles	$157-162	$155-163

...ENCY RATES

Bank rate %	Special Drawing Rights	European Currency Unit
14	0.600186	0.636226
9½	1.28782	1.35801
11¼	1.81670	1.59580
6¾	17.5272	18.4961
9	38.2988	40.4342
8	0.87301	7.29160
4	6.38543	2.51844
7	2.62532	2.76899
9½	5.53119	5.83948
10½	—	1133.60
4¼	281.002	295.867
7	6.66402	5.92924
8	85.0270	89.6581
0½	—	8.81900
1	2.12104	2.24072

OTHER MARKETS

June 22	£	$		£ Note Rates
Argentina Peso	2771-2791	1293-1303	Austria	29¾-30¾
Australia Dollar	1.2180-1.9244	0.8955-0.8995	Belgium	65.60-60.60
Brazil Cruzeiro	54.38-56.38	66.40-25.85	Denmark	11.47-11.57
Finland Markka	8.38-8.40	3.8980-3.9030	France	9.17-9.27
Greek Drachma	79.129-80.012	36.30-37.35	Germany	3.98-4.08½
Hong Kong Dollar	10.02½-10.04½	5.1100-5.1120	Italy	1,765-1,805
Iran Rial	153.50-160	72.75	Japan	465-475
Kuwait Dinar (KD)	0.588-0.598	0.2768-0.2762	Netherlands	4.34-4.44
Luxembourg Frc.	63.68-63.78	29.75-29.77	Norway	10.80-11.00
Malaysia Dollar	4.0700-4.6810	2.1838-2.1848	Portugal	101-105
New Zealand Dlr.	2.1285-2.1645	0.9840-0.9906	Spain	139-142
Saudi Arab. Riyal	7.26-7.99	3.3740-3.3840	Switzerland	3.50-3.60
Singapore Dollar	4.6625-4.6736	2.1836-2.1846	United States	2.15½-2.14½
Sth. African Rand	1.80½-1.81½	0.8430-0.8475	Yugoslavia	52½-42½

Rate given for Argentina is free rate.

...E DOLLAR SPOT AND FORWARD

Day's spread	Close	One month	% p.a.	Three months	% p.a.
...00-2.1480	2.1410-2.1420	0.62-0.57c pm	3.33	1.70-1.60 pm	3.08
...20-2.0380	2.0325-2.0375	1.30-1.10c pm	7.08	3.40-3.10 pm	6.39
...06-85.12	85.08-85.11	0.02c pm-par	0.14	0.09½-0.06½pm	0.38
...40-2.0400	2.0370-2.0390	0.45-0.35c pm	2.35	0.95-0.85 pm	1.77
...5-29.75	29.68-29.72	2c pm-par	0.40	4-2 pm	0.40
...40-5.3400	5.3375-5.3400	1.00-1.50ore dis	−2.81	3.25-3.75dis	−2.62
...95-1.8560	1.8550-1.8560	0.84-0.74pf pm	5.11	2.27-2.17 pm	4.78
...0-49.10	48.95-49.05	35-45c dis	−9.81	90-130 dis	−9.57
...0-66.10	66.00-66.05	5-15c dis	−1.82	25-35 dis	−1.82
...25-836.65	835.25-835.75	2.75-3.50 lire dis	−4.49	5-7 dis	−3.11
...60-5.0990	5.0965-5.0975	0.75-0.25ore pm	1.19	2.65-2.05 pm	1.84
...50-4.3075	4.3025-4.3075	0.25-0.15c pm	0.56	0.25-0.05 pm	0.14
...50-4.2880	4.2850-4.2880	0.20ore pm-par	0.28	0.50-0.30 pm	0.37
...00-217.00	216.00-216.20	1.05-0.95y pm	5.56	2.80-2.70 pm	5.09
...0-12.62	16.60½-12.61½	5.90-2.90gro pm	2.00	11-8 pm	2.78
...60-1.6580	1.6540-1.6570	1.40-1.35c pm	9.97	4.10-4.05 pm	9.84

...and Canada are quoted in U.S. currency. Forward premiums ...s apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1400-2.1480	2.1410-2.1420	0.62-0.57c pm	3.47	1.70-1.60 pm	3.06
Canada	2.5155-2.5270	2.5160-2.5175	0.72-0.62c pm	3.19	1.90-1.80 pm	2.94
Nethlnd.	4.35-4.39	4.35¾-3.36¾	2⅛-1⅛c pm	5.85	5¼-4¼ pm	4.70
Belgium	63.50-64.00	63.68-63.78	25-15c pm	3.77	60-50 pm	3.45
Denmark	11.43-11.49	11.43¾-11.44¾	1½ore pm-½ore dis	0.79	2½-½ pm	0.39
Ireland	1.0525-1.0640	1.0555-1.0565	23-33p dis	−3.18	79-89 dis	−3.13
W. Ger.	3.95-3.99	3.96¾-3.97¾	3½-2½pf pm	9.58	8¾-7¾ pm	7.93
Portugal	104.90-105.60	104.90-105.20	40-100c dis	−8.00	135-235 dis	−7.04
Spain	141.20-142.00	141.20-141.45	80-30c pm	4.67	105-65 pm	2.26
Italy	1788-1800	1788-1790	½-2½ lire dis	0.84	1 pm-1 dis	par
Norway	10.91½-10.95½	10.91½-10.92½	5¼-3¼ore pm	4.67	14¾-12¾ pm	4.81
France	9.13-9.24½	9.20¾-9.21¾	3½-2½c pm	3.42	7½-6½ pm	3.04
Sweden	9.16½-9.23	9.16½-9.16	3½-1½ore pm	3.27	8½-6½ pm	3.38
Japan	460-470	461½-462½	3.95-3.65y pm	9.87	5.90-9.65	9.46
Austria	29.00-29.40	29.10-29.15	20-10gro pm	9.18	47-37 pm	6.77
Switz.	3.50-3.56½	3.53¾-3.54¾	4½-3½c pm	16.55	12-11 pm	12.99

Belgian rate is for convertible francs. Financial franc 66.00-66.10c pm. Six-month forward dollar 2.80-2.75c pm, 12-month 4.90-4.80c pm.

...GE CROSS RATES

...22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
...ng	1.	2.142	3.975	462.0	9.216	3.545	4.358	1789.	2.517	63.75
	0.467	1.	1.856	215.7	4.300	1.654	2.036	835.4	1.175	29.76
...rk	0.252	0.530	1.	116.3	2.318	0.892	1.097	450.6	0.634	16.04
...n 1,000	2.165	4.636	8.588	1000.	19.94	7.668	9.438	3872.	5.448	137.9
...o 10	1.085	2.326	4.312	501.5	10.	3.846	4.730	1942.	2.732	69.18
	0.282	0.605	1.121	130.4	2.601	1.	1.230	505.0	0.710	17.99
...ar	0.229	0.491	0.912	106.0	2.114	0.815	1.	410.6	0.578	14.66
...,000	0.060	1.197	2.221	258.2	5.150	1.980	2.430	1000.	1.407	35.62
...llar	0.397	0.851	1.578	183.0	0.660	1.408	1.731	710.8	1.	25.32
...c 100	1.569	3.360	6.233	724.8	14.46	5.559	6.857	2807.	3.949	100.

... MONEY RATES

Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
—	12½-20	—	—	—	12¾	13-13½	—	—	—
—	—	13½-13¾	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	13½-13⅝	13¾	—	14⅜	13¾	16¼	—	—	—
13⅞-13⅝	13¾-15⅞	13¾-16⅞	14½-14¼	14⅜	14¼	13⅝-13¾	13 15/16	13 13/16	14½
13⅞-13¾	[illegible]	—	14¼	14⅛	14¼	13⅝	13 15/16	13¾	14¼
16⅞-13¾	13¾-13⅞	13¾-13⅞	14	14⅛	—	13⅝	13 7/16	13⅝	14
16¼-13⅞	13¾-13⅝	13⅞-16¼	13⅛-13¾	16¾	—	—	—	12¾	13¾
12⅞-12 13/16	12⅞-15	—	13-19⅝	15¼	—	—	—	—	—
12 1/16-12⅛	13⅜-19¾	19½-12⅝	12⅞-12⅛	15	—	—	—	—	—
—	—	12¾-13	—	—	—	—	—	—	—

...thority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage ...ally three years 12½-13 per cent; four years 12½-13 per cent; five years 12¾-13¼ per cent. ⊕ Bank bill rates ... buying rates for prime paper. Buying rate for four-months bank bills 13¼ per cent; four-months trade bills ...t.

...mate selling rate for one-month Treasury bills 13 3/16 per cent; two-months 13 3/16 per cent; three months 13¼ ...pproximate selling rate for one-month bank bills 13 11/16 per cent; two month 13⅝ per cent; and three-month ...t; one-month trade bills 14½ per cent; two-month 14 per cent; and three-month 13½ per cent.

...Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. ...nk Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending ... Treasury Bills: Average tender rates of discount 13.2562 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.25
Treasury Bills (13-week)	8.94
Treasury Bills (26-week)	8.99

GERMANY

Discount Rate	4
Overnight Rate	5.55
One month	5.85
Three months	6.35
Six months	6.75

FRANCE

Discount Rate	9.5
Overnight Rate	8.125
One month	8.3125
Three months	8.75
Six months	9.1875

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.375
Bills Discount (three-mth.)	6

INSURANCE

Change of deposit sum badly needed

BY OUR INSURANCE CORRESPONDENT

ONE DAY last week in the High Court in London Mr. Justice Smith awarded each of two road accident injury victims damages of over £125,000 apiece for the very serious injuries they had sustained — damages which will have to be paid by the motor insurers concerned.

Such awards are not yet a statistical commonplace, but because of inflation they are becoming much more common. And if the average motor premium is taken to be around £50, then insurers will have had to spend all of the premiums paid by some 5,000 motorists on those damages alone, without being able to allocate any part of those premiums for any other purpose.

Revisions

Looking back one must wonder at the foresight of the sponsors of compulsory motor insurance in 1930, in days when injury awards of £5,000 were exceptional. For at that time it was nevertheless decided that motor injury liability insurance must be unlimited in amount. This requirement has avoided the need for regular revisions of financial ceilings as motorists' liabilities have increased over the years and the value of the pound has fallen.

With unlimited injury liability cover insurers have always had to have regard to the outside financial possibilities—in these days a multi-million pound potential, should a couple of coaches full of passengers collide at speed, or a tanker full of hazardous liquid or gas explode in a busy urban area.

But with substantial solvency margins, the backing of adequate reinsurance treaties and with the assistance of regular premium rating increases, motor insurers are well set to meet demands for damages made by road accident victims.

Exceptions

Although insurance is compulsory for the ordinary citizen, there are a number of statutory exceptions, mostly in favour of local authorities, police and so on: but there is one which stands very much in the terms in which it was formulated in 1930.

The present Road Traffic Act dates from 1972 and section 144(1) rules that the compulsory insurance provisions "shall not apply to a vehicle owned by a person who has deposited and keeps deposited with the Accountant General of the Supreme Court the sum of £15,000, at a time when the vehicle is being driven under the owner's control."

Yardstick

This sum of £15,000 was in fact fixed in 1930 and by any yardstick of assessment is clearly in need of substantial revision: indeed even before the war, in 1937, the Cassel Committee put on record its thought that at that time the sum was scarcely sufficient for an accident involving several severe injuries.

But over the years nothing has been done. In 1976 when the Labour government was trying to make insurers responsible for hospital charges, their drafts of their Road Traffic Casualty Bill contained clauses to amend the 1972 Act first by increasing the £15,000 limit to £150,000 and second by allowing the government to further increase this new level by statutory instrument. But nothing came of the proposal and since 1976 no attempt has been made to remedy the inadequacy of the deposit, which was made more obvious this week by the two High Court awards.

Minimum

Quite clearly if the deposit exception to compulsory insurance is to stand, £250,000 should now be considered the absolute minimum. Amendment of the absurd £15,000 is required because an increasing number of vehicle operators seem to be seeking ways and means (and the deposit is an obvious course) of avoiding paying their requisite share of the cost of motor insurance.

It is in the interest of all potential road injury victims—which is all of us—that there is amending legislation to ensure that there is enough cash in the kitty to meet claims against depositors. All that is required is a simple three or four clause Bill, which should not take up much parliamentary time, because of its non-controversial nature and would probably win all-party support.

APPOINTMENTS

Ronson Board changes

Mr. John Cape has been appointed to the Board of RONSON PRODUCTS as director responsible for finance and personnel and management services. Mr. John Godwin has relinquished his appointment. Mr. M. Buttery, Mr. H. Catterall, Mr. A. Tipping and Mr. O. Trigg become executive directors, from July 2.

★

Mr. N. M. Hudson, group adjuster of marine claims, Commercial Union Assurance Group, has been re-elected chairman of THE SALVAGE ASSOCIATION and Mr. J. A. R. Moller, Lloyd's underwriter, has been re-elected deputy chairman.

★

Mr. Gerald Hawksworth has been appointed managing director of AIRGUARD, a member of the Lawtex Group, from July 1. He joined Airguard last year as deputy chief executive. Mr. W. W. Landauer, founder of Airguard, has relinquished the responsibilities of chief executive but remains a director of the company.

★

Professor John Small, head of the Department of Accounting and Finance at Heriot-Watt University, and Mr. Alexander Stone, a banker and partner of Alexander Stone and Co. have joined the new advisory board to DOUGLAS LLAMBIAS ASSOCIATES in Scotland.

★

Mr. Anthony Read is to be director of the Book Development Council, the international division of the PUBLISHERS ASSOCIATION. Mr. Read is currently the international marketing manager of the Oxford University Press. He will move to the Book Development Council in September. The Council is responsible for developing the market for British books throughout the world.

★

Mr. C. D. Malmaeus has been made assistant manager, Europe, Middle East and Africa, London regional office and Mr. N. R. Gibson appointed managing director, TORONTO DOMINION INTERNATIONAL BANK.

★

Mr. Terry King has been appointed managing director of T and K Air Services, which operating under the name of TAKAIR, is the airfreight arm of the T and K Freight Group.

★

Mr. Charles Leveson-Gower, managing director of Spooner Industries of Ilkley, Yorks, is the new chairman of the BRITISH PAPER MACHINERY MAKERS' ASSOCIATION, which now has more than 40 member companies throughout the UK. He succeeds Mr. David Klomz, managing director of Vickerys of Greenwich, London. Mr. Bill Green, managing director of Green Son and Waite of Orpington, Kent, has been re-elected the Association's hon. treasurer, and Mr. Ted Roberts, managing director of Sinclair International Pressure Systems of Ellon, Aberdeenshire, has been re-elected the Association's hon. secretary.

★

NATIONAL BANK OF NORTH AMERICA, a wholly-owned subsidiary of National Westminster Bank, has made the following appointments to its Board—Mr. Paul C. Sheeline, chairman and chief executive of Intercontinental Hotels, New York; Mr. David Westermann, chairman and chief executive of the Hazeltine Corporation, manufacturer and developer of electronic systems; Long Island, New York; and Mr. George Cathles, head of strategic investment, international business, National Westminster Bank.

Mr. Eric W. Sgang, has been appointed joint manager of NATIONAL WESTMINSTER BANK'S Lloyd's Building branch in the City. He has been manager of the bank's New Bond Street branch since 1977.

★

STANDARD LIFE ASSURANCE COMPANY, Edinburgh, has made the following appointments, effective from October 18. Mr. A. S. Bell, as assistant general manager (finance); Mr. D. M. Potter, as regional manager, south region; Mr. J. Monaghan, as regional pensions manager, south region; Mr. A. J. Tiller, as regional pensions manager, Scottish region; and Mr. D. A. Pitkethly, as area pensions manager, Glasgow.

★

Mr. Allan Griffin is the new food group marketing controller of the NORTH EASTERN CO-OP which last year had a turnover of £84m in its 300 food stores. Mr. Griffin, was previously service trades controller at the Co-op and succeeds Mr. John Beer who recently left to pursue personal business interests.

★

OFFICE INTERNATIONAL LEASING has been formed as a member of the Office International Group (OIG)—an office equipment group. It will provide the 110 office equipment sales subsidiaries and branches of the group with leasing facilities. Chief executive is Mr. R. W. Forsyth, who prior to joining OIG, was Scottish manager for Hamilton Leasing. Other directors are Mr. L. E. Scultborp and Mr. W. C. Gillespie, respectively chairman and financial director of OIG; and Mr. J. D. Butler, managing director of David S. Butler—one of the group companies.

★

BUTCHER, ROBINSON AND STAPLES has formed a bankers' insurance division and appointed Mr. Derek H. Palmer, managing director and Mr. Paul J. Millon and Mr. Garfield P. Murray, directors.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	June 22	June 21	June 20	June 19	June 18	June 15	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
● Industr'ls	849.10	843.64	838.83	839.40	839.40	843.50	878.72 (18/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.45	85.49	85.47	85.25	85.36	85.51	85.80 (2/2)	82.92 (8/5)	—	—
Transport	241.39	240.02	238.48	240.11	239.73	240.80	241.87 (12/6)	205.78 (27/2)	279.00 (7/2/69)	12.23 (8/7/32)
Utilities	105.51	105.31	105.38	105.58	105.36	105.28	105.75 (10/6)	98.51 (15/6)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	36,530	37,210	38,010	36,800	31,150	35,010	—	—	—	—

● Day's high 853.86 low 842.34

	June 15	June 8	June 1	Year ago (approx)
Ind. div. yield %	0.01	0.07	6.19	0.58

STANDARD AND POORS

	June 22	June 21	June 20	June 19	June 18	June 15	1978 High	1978 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	115.94	115.30	112.75	112.70	112.68	115.34	116.89 (9/1)	107.08 (27/2)	104.64 (11/1/73)	5.52 (30/6/32)
Composite	102.64	102.09	101.60	101.58	101.56	102.09	103.04 (18/4)	98.10 (27/2)	125.85 (11/1/8)	4.40 (1/6/25)

	June 20	June 13	June 6	Year ago (approx)
Ind. div. yield %	5.50	6.24	6.28	5.07
Ind. P/E Ratio	7.91	7.98	7.92	9.11
Lon Gov. Bond Yield	8.87	8.81	8.96	8.52

EUROPE

AMSTERDAM

June 22	Price Fls.	+ or —	Div. %	Yld. %
Ahold (Fl.20)	91.3	—0.2	a22	4.7
Akzo (Fl.20)	28.2	+0.3	—	—
Alg'm Bk (Fl 100)	342.0		A25	7.3
Amev (Fl.10)	86	+1	50	0.8
Amrob'k (Fl.20)	69.9	-0.3	25	7.1
Bijenkorf	69.3	-0.3	28	8.0

BRUSSELS/LUXEMBOURG

June 22	Price Frs.	+ or —	Div. Frs. Net	Yld. %
Arbed	8,660	+60	—	—
Bekaert "B"	2,510	—10	150	6.2
C.B.R. Cement	1,152 xd	+30	100	8.5
Cockerill	520	+18	—	—
EBES	2,180	—5	177	8.0

COPENHAGEN

VIENNA

GERMANY

CANADA

SPAIN

STOCKHOLM

SWITZERLAND

MILAN

OSLO

PARIS

TOKYO

BRAZIL

HONG KONG

AUSTRALIA

JOHANNESBURG

WALL STREET

NEW YORK

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

By FRANCIS GHILES

All change for the D-Mark

...NS change fast and more than when it currencies. Deutsche-...ominated bonds are all ...again. Only three weeks ...German capital markets ...ittee virtually ruled ...ssues for June. Three ...i three DM issues later, ...rk sector is booming.

...ek before last, follow-...uccess of a DM 200m ...Sweden the sub-com-...llowed Westdeutsche ...nk to arrange a ...n bond for Norges ...lbank. So strong was ...nd that the lead mana-...able to increase the ...f the issue to DM 150m, ...oupon by ½ per cent ...r cent and price the 100½. Allotments for ...nks underwriting the ...e very tight and its ...d up well in early ...market trading. It ...ed at the close last 100½-¾.

...ving round out of ...ominated bonds and ...tsche-Mark paper has ...ut because investors ...convinced the D-Mark ...evalued against other ...encies before the end ...ummer and probably against the dollar as ...years on.

...re boing doubly en-...to move into Deutsche ...the fact that there is now only a 1½ percentage point differential between prime Eurobonds in D-Mark and dollar denominations, despite a present 4-5 per cent inflation differential between Germany and the U.S.

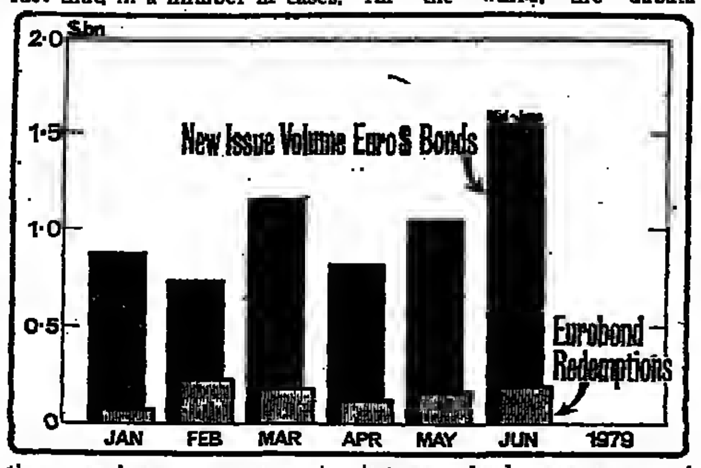
Currency considerations have dominated the market where it is widely reported that retail investors have suddenly become sellers of dollar paper and buyers of the traditional "strong currencies."

Institutions are not in a hurry to buy bonds, despite the huge volume on offer at present at rapidly expanding discounts. Most of them seem convinced that the market will drop further.

Most of the new issues announced over the past two weeks are not believed to have been placed in firm hands. They have been badly hit in the secondary market, and although the lesser quality U.S. names suffered first, many dealers believe that the prime U.S. corporate names will quickly undergo the same treatment.

Despite the difficult conditions in the dollar sector, three new issues for U.S. corporations were announced last week, two through Morgan Stanley (for Warner Lambert and Carter Hawley Hale) and one through Goldman Sachs and Lazard Frères (for Continental Group).

What continues to attract such borrowers to the Euro-bond market—as opposed to the U.S. domestic one—is both the speed with which they can arrange issues and the early call provisions they are able to include in today's contracts. Such advantages outweigh the fact that, in a number of cases,



they may have to pay more in Europe than in New York for an issue. Even this, however, is not the case at present for lesser quality U.S. borrowers.

A number of bankers were again expressing concern last week at the manner in which the primary market in dollar bonds was functioning. While dealers were trying to cut their inventories, some leaders of new issues were said to be offering new paper to institutions at discounts of up to two points. Complaints about such dumping are not new but if the dollar were to slip further and the market to take a serious turn for the worse, the debate between lead managers and underwriters could take on a sharper tone. With the EIB preparing what many believe will be a form of public tender bidding for the next issue it wants to float, the coming week could prove eventful.

The FRN sector of the market remained active but prices weakened as the volume of new paper on offer increased sharply.

In the DM sector prices moved up by average of ½ point across the board with more activity reported by dealers than at any time in the past month and a half. The market in Swiss franc bonds mirrored this movement. The capital markets Sub-Committee will meet on Wednesday to decide what volume of new D-Mark issues can be accommodated next month.

Some German bankers now feel that because of the instability in the currency markets it would be wiser for this Sub-Committee to meet every two weeks and set a calendar for that length of time rather than operate on a monthly basis. Whatever the outcome on this particular point, a doubling of new issues to DM 400-500m is widely anticipated.

In the Swiss franc sector, the Republic of South Africa is making what is believed to be the first private placement for at least three years, through Swiss Bank Corporation. The amount is SwFr 100m for five years and the borrower is paying an interest rate of 5¼ per cent with pricing at par. A smaller private placement for a South African State company is expected to be arranged through UBS early next month.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡General Motors	100	1986	7	9¼	100	Chemical Bank	9.25
†‡Soc. Gen. Alsacienne	20	1989/91	—	5¼*	100	Société Générale	5.83*
††Nat. Westminster	100	1994	14.75	5½*	100	County Bank	5.32*
‡Hoechst	125	1989	—	6¾	100	Dresdner Bank	6.75
‡Gulf & Western	35	1984	5	9¾	99½	Kidder Peabody	9.88
‡Orient Leasing	25	1986	5½	9½	99½	Daiwa Europe	9.53
GTE Finance	55	1989	8	9¾	100	Salomon	9.75
‡SAGA AB	25	1989	—	7¾	100	Hambros, Svenska Handb.	7.75
†IC Industries	75	1991	10	8¾	100	Paribas, Merrill Lynch	—
†‡Banque Sudameris	30	1987	8	6*	100	Banca Comm. Italiana	6.09*
†Banque Ext. d'Algerie	50	1989	7½	7½*	100	Dillon Read	7.38*
‡LPC Int. Finance	20	1989	—	8/8½	100	Kidder Peabody	*
†Nippon Credit Bank	50	1986	7	6½*	100	Morgan Stanley	6.61*
†Iberpistas	18	1986	6½	7*	100	Smith Barney, Harris Up.	7.12*
†‡Société Générale	50	1991	—	5¼*	100	Société Générale	5.32*
†Indosuez	40	1989	10	5¼*	100	Indosuez	5.32*
†Royal Bank of Scotland	40	1986/94	—	5¼*	100	CCF	5.32*
††Finland	100	1989	10	*		Merrill Lynch White Weld	*
‡Warner Lambert	100	1984	5	9	99½	Morgan Stanley	9.19
Carter Hawley Hale	50	1986	7	9¾	100	Morgan Stanley	9.75
‡Continental Group	100	1986	7	9⅝	100	Gold. Sachs, Lazard Fr.	9.63
D-MARKS							
‡Norges Kommunalbank (g'teed Norway)	150	1991	8½	7⅞	100½	WestLB	7.72
SWISS FRANCS							
‡Aumar (g'teed Spain)	60	1989	n.a.	5	98	UBS	5.26
‡**Sweden	200	1984	n.a.	4¼	100	UBS	4.25
‡**Oesterreich. Kbk.	45	1984	n.a.	4⅜	99¾	Swiss Bank Corp.	4.44
Argentina	80	1989	n.a.	5½	99	Swiss Bank Corp.	5.63
‡**STEWEAG	60	1991	n.a.	4¾	99	Swiss Bank Corp.	4.86
‡**§Sanyo Electric	100	1984	—	4¼	100	Crédit Suisse	4.30
‡**South Africa	100	1984	n.a.	5¼	100	Swiss Bank Corp.	5.25
STERLING							
FFI	30	1989	8.9	12¼	*	S. G. Warburg	*
GUILDERS							
‡Nederlandse Gasunie	50	1984	5	8¾	99¼	Algemene Bk. Nederland	8.88

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Optional fixed rate. Note: Yields are calculated on AIBD basis.

U.S. BONDS

By DAVID LASCELLES

Another test of nerve

BOND PRICES are holding the gains they notched up since late May thanks to a stream of data suggesting that an economic slowdown is at hand. But the rally lost some of its nerve last week, not so much because of doubts about where the economy is heading, but because of the pall cast by the weakening dollar and the forthcoming OPEC meeting.

Although the Fed has stuck to both its Fed funds and discount rates, short-term interest rates are showing the sharpest drops. The prime rate is now almost universally 11¾ per cent and three months Treasury bills closed last week at around 9 per cent. The latest sale of one-year Treasury bills went at an average 8.83 per cent, the lowest since last October.

But other sectors of the market have become more wary in the last few days. Long-term corporate bonds were either virtually unchanged or mixed over the week. New top grade utility yields hovered around 9.15 per cent on medium-term issues and 9.35 on long term. Comparable industrials yielded about 9 per cent. There was a slight weakening in the municipal bond market. The Dow Jones yield index moved to 6.8 per cent from 6.7 per cent a week earlier.

These changes took place against the mounting certainty that the economy has reached the peak of its latest cycle. All recent indicators have shown a slackening in demand and production. Meanwhile, the gasoline shortage has finally struck the East coast.

Though this might have been expected to push interest rates down, the market has shown a marked resistence to weakening bond price trends.

One reason is the recent setback for the dollar (caused in part by the drop in U.S. interest rates) which virtually guarantees that the Fed will not change its monetary posture in the immediate future. Indeed, any downward shift in the Fed funds or discount rates has been ruled out by the market, particularly in the light of Treasury Secretary Michael Blumenthal's remark last week that he saw no further narrowing in the differential between U.S. and foreign interest rates.

The OPEC meeting also poses a major question mark over the proceedings, both because Saudi Arabia has given conflicting signals about its intentions, and because Wall Street finds it hard to predict the impact of massive oil price rises on the credit markets.

In the short term, the markets pose investors with a test of nerve. Some of the data due out this week could ease their predicament: the consumer price index on Tuesday, U.S. foreign trade on Wednesday and the May leading indicators on Friday.

In the longer term, though, prospects are getting clearer. Mr. Allen Lerner, economist at Bankers Trust, summed them up as follows: "While the markets may continue to digest some of their recent gains, focusing on the dollar and the latest burst of monetary expansion, the longer-term signs point to a weak economy and, much further down the road, a slackening of inflationary pressures and credit demands."

...ON FINANCIAL MARKETS

By JOHN EVANS

Overseas funds flood into sterling

...G HAS regained much ...status as an important ...r foreign and govern-...vestment funds. Hold-...uch funds stand at ...8bn), their highest in ...0 years.

...bination of a strong ...ate and high interest ...proved powerful in ...overseas investment. ...banking and money ...ldings alone jumped ...the first quarter of ...and at £5.7bn, accord-...Bank of England

...d-March figure ex-...ows in the past three ...which have pushed ...o its highest levels ...e dollar for the past

...of the £5.7bn reflects ...oyed with banks and ...ancial institutions, ...ny £11m is held in ...ills. The assumption is that part of these funds have been employed for strategic purchases of gilt-edged stocks.

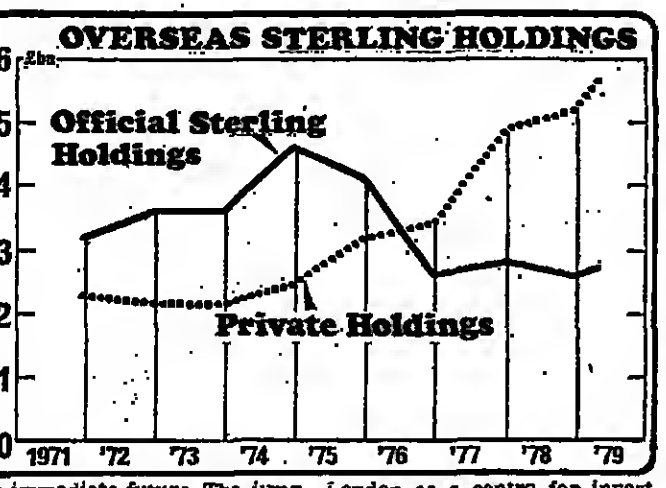
Official exchange reserves remain stable, standing at £2.7bn at end-March compared with £2.6bn at end-1978.

This is consistent with the Basle arrangements, which aimed to reduce sterling's international reserve role and limit foreign official holdings.

However, there is undoubtedly "leakage" between official and private sterling holdings, as some central banks circumvent the Basle arrangements by shifting money under the private holdings definition.

The oil-exporting countries are by far the main official sterling holders, responsible for some £1bn at end-March out of the total £2.7bn of Government holdings. A certain proportion of official OPEC holdings is understood to be included in the private component.

The trend towards the greater investment use of sterling will probably continue in



the immediate future. The jump in the UK minimum lending rate to 14 per cent and forecasts that North Sea oil production will provide added protection to the UK's payments are reinforcing confidence in London as a centre for investment.

The main policy headache for the UK authorities is that an appreciating sterling rate will reach levels where British industry will be increasingly uncompetitive in export markets.

London financial markets speculate that various steps could be taken to restrain sterling—such as accelerated dismantling of outward exchange controls on UK residents, new controls on inward flows or accelerated repayment of extensive amounts of foreign debt undertaken by Britain in recent years.

By historic standards, sterling seems vulnerable to a sudden outflow of these high foreign accumulations, since much is clearly of a short-term speculative nature.

But Britain's currency reserves, at some $22bn, are deemed sufficient to prevent any major currency disruption should overseas funds leave London suddenly.

FT INTERNATIONAL BOND SERVICE

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5⅞ 88	10	86½	86⅞	+0⅛	−0⅛	7.91
Australia 5.8 83	20	91½	92½	+0⅛	+0⅛	7.87
Australia 6½ 88	20	90½	91½	+0⅛	+0⅛	8.04
Finland 6.6 83	10	93½	94½	0	−0⅛	8.38
Finland 6.8 88	10	90½	91½	0	−0⅛	8.37

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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BONDTRADE INDEX AND YIELD

		Medium term		Long term	
June 22		95.29	8.69	89.34	9.45
June 15		95.33	8.67	89.39	9.44
High '79		96.75 (1/2)		88.99 (30/1)	
Low '79		94.40 (11/1)		86.87 (28/2)	

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,426.2	1,751.1
Previous week	489.0	1,640.6
Other bonds		
Last week	294.5	243.6
Previous week	218.3	253.3

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise du Commerce Exterieur; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 22

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Gilt Int. Tst.	103.8	109.3	−0.2	3.24
Abbey Capital	37.1	39.5	−0.2	4.67
Abbey Income	44.3	47.1	−0.2	6.45
Abbey Inv. Tst. Fd.	37.4	39.8	−0.4	5.31
Abbey Gen. Tst.	50.2	53.4	−0.1	4.51
Equitas Prog. Tst.	68.6	72.4	−0.2	4.68

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	98.0	103.1	.....	12.25

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	74.2	79.4	−0.3	5.24
Brit. Inds. Fund	70.6	75.5	−0.1	5.30
Grth. & Inc.	41.5	44.4	−0.2	4.95
Elect. & Ind. Dev.	38.6	41.3	−0.1	4.50
Allied Capital	77.5	82.9	−0.1	4.58
Hambro Fund	116.7	124.9	−0.3	5.33
Hambro Acc. Fd.	136.8	146.4	−0.2	4.69
Income Funds				
High Yield Fd.	76.6	82.0	−0.3	7.96
High Income	71.5	76.5	−0.4	7.08
A. H. Eq. Inc.	42.6	45.6	−0.2	7.08
International Funds				
International	23.9	25.6	−0.2	3.14
Pacific Fund	35.4	37.9	−0.4	2.35
Secs. Of America	54.0	57.8	+0.3	2.18
Specialist Funds				
Smaller Co.'s Fd.	46.8	50.1	−0.1	3.83
2nd Smlr. Co's Fd.	58.2	62.3	−0.2	3.93
Recovery Sits.	111.1	118.9	−0.7	5.49
Met. Min. & C'dty.	46.9	50.2	−0.3	5.18
Overseas Earnings	61.3	65.6	−0.2	4.42
Exempt Funds				
Far East Exempt	42.6	44.3	−0.1	3.17
Smaller Co. Exempt	73.4	77.1	−0.2	4.46
U.S.A. Exempt	95.4	99.4	−0.2	2.22

Anderson Unit Trust Managers Ltd.

Friends' Provdt. Unit Tr. Mgrs.
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	48.1	51.6	−0.3	4.68
Do. Accum.	64.5	68.9	−0.4	4.68

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital June 21	107.3	108.4	−6.1	4.61
Gross Inc. June 21	78.1	80.3	−7.4	9.71
High Yield June 21	89.8	93.9	−3.9	8.95

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	102.0	108.5	+0.2	2.80
Do. Acc.	125.2	133.1	+0.2	2.80
G.T. Inc. Fd. Un.	172.7	183.7	−0.5	8.30
G.T. U.S. & Gen.	126.1	134.1	+0.4	3.10
G.T. Japan & Gen.	76.9	81.3	−0.2	2.30
G.T. Pens. Ex. Fd.	214.1	224.7	.....	2.90
G.T. Int'l. Fund	141.2	150.2	−2.6	1.80
G.T. Four Yds. Fd.	58.3	62.0	.....	7.70
G.T. Far East & Gen.	41.2	44.3	−0.6	3.50

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	35.7	38.1	−0.1	5.07

Gartmore Fund Managers (a)(g)
2 St. Mary Axe, EC3A 8BP. 01-623 6114
Dealing only: 01-623 5766/5806

American Tst.	23.9	25.7	+0.1	0.34
British Tst. (Acc.)	61.8	66.4	−0.3	3.57
Commodity Share	28.6	30.8	−0.1	3.35
Extra Income Tst.	24.7	26.6	−0.2	9.45
Far East Trust	31.1	33.4	−0.4	0.14
High Income Tst.	62.6	67.4	−0.4	9.28
Income Fund	80.1	86.1	−0.7	7.16
Ins. Agencies	£14.32	15.28	−0.16	4.14
Intl. Exempt Fd.	95.2	103.5	−0.4	6.33
Intl. Tst. (Acc.)	30.8	33.1	−0.2	0.68

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

[illegible]

INSURANCE AND PROPERTY BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

Jardine J'pn. Fd.*	HK$373.27	.....	1.00
Jardine S.E.A.	US$17.02	.....	2.10
Jardine Flem. Int.	US$12.86	.....	0.80
Intl. Pac. Secs. (Inc.)	US$13.27	.....	1.30
Do. (Accum.)	US$13.46	.....	—

NAV June 29. *Equiv. US$76.26.
Next sub. day July 15.

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.

L.J. Sterling Fund	£10.08	10.09	.....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	US$18.33	+0.14	—

Wren Commodity Trust
10, St. George's St., Douglas IoM

Wren Commod. Tst.	36.0	38.4	.....

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FINANCIAL TIMES SURVEY
Monday June 25 1979

Yugoslavia

In world affairs Yugoslavia, under the active leadership of President Tito, is leading the struggle to preserve the genuine independence of the non-aligned nations movement. At home steps are being taken to stabilise an overheated economy, while the principle of collective leadership has been further refined in preparation for the post-Tito era.

...ering ...ldle ...rse

...hony Robinson

...NG YUGOSLAVIA ... self-chosen path of ...ent abroad and self- ...it socialism at home ...aught with consider- ...culties in recent

...Yugoslavia is worried ...t it sees as Soviet- ...uban efforts to split ...gned movement. At ... economy has been ...lear signs of over-

...y, however, the ...a smooth succession ...t Josip Broz Tito has ...urther refinement of ...tive-leadership prin- ...is has now been ...to cover the top ...mmunist Party posts ...e army and security ...emain outside the ...revolving collective

...gets and influence of ... appear to have ...and President Tito ...in a speech on ...anniversary of the ...Communist Party last ...Yugoslavia was pre- ...fight if need be to ...integrity and prin- ...Although a small ...ugoslavia is prepared to resist any possible attack on its achievements," he said.

This is not to say that Yugoslavia is suffering from a lager complex—the atmosphere is still one of relatively affluent self-confidence.

But relations with the Soviet Union, from whose embrace Yugoslavia broke away in 1948, are currently as strained as at any time since the aftermath of the Warsaw Pact invasion of Czechoslovakia in 1968. Although very few Yugoslavs believe that the Soviet Union would ever physically attack Yugoslavia, the assumption is that the Soviet Union very much desires access to the Mediterranean and the ideological satisfaction which would come from the re-integration of Yugoslavia into the Soviet bloc.

It is this belief more than any other factor which underlines the tough, if not ruthless, methods which the Yugoslav security forces are prepared to use to suppress what they define as nationalist extremists and others who, they believe, could be used by foreign powers to divide and weaken federal Yugoslavia.

It is a powerful argument and has been used to justify suppression of both Stalinist-pro-Moscow and nationalist factions, as well as liberal advocates of a multi-party system. Yugoslavia has probably gone as far as it possibly can in its efforts to secure the unity of Yugoslavia by respecting the legitimate aspirations of the six nations and 18 ethnic groups which make up this extra-ordinarily complex country.

But this has not satisfied the various anti-Communist and nationalist emigre groups who have been waging a terrorist campaign against Yugoslav diplomats abroad. Up to now the Yugoslav authorities feel they have not received as much support as they deserve in their attempt to secure the extradition or suppression of such groups by the governments in whose territories they are based.

Although 87 years old last month President Tito is still mentally and physically active and continues to enjoy enormous prestige at home and abroad. The mechanism of collective leadership on a revolving basis aims to institutionalise the succession, but in the meantime President Tito remains the final arbiter within and above the system.

At present his main preoccupation is that of heading off attempts to split the non-aligned movement at the non-aligned summit meeting in Havana in September. To this end he has been involved in yet another round of strenuous personal diplomacy.


President Tito of Yugoslavia

Impress

This included a "friendly working visit" to Moscow last month in an effort to impress upon the Soviet leadership Yugoslav concern about Cuba's attitude towards the non-aligned movement and improve the atmosphere of Yugoslav-Soviet relations. This was soured initially by Chairman Hua Guo-Feng's visit to Yugoslavia, Romania and Iran last August and Yugoslavia's subsequent stance over the South East Asia situation.

Yugoslavia was deeply critical of Vietnam's invasion of Cambodia, seen as yet another Soviet-backed interference in the internal affairs of another State, and linked the subsequent Chinese invasion of Vietnam's own border areas to the original act of aggression by Vietnam. On both accounts the Soviet Union strongly criticised the Yugoslav attitude.

Apart from trying to impress upon the Soviet Union Yugloslavia's determination to pursue its own independent non-aligned policies President Tito has also been actively seeking the support of Arab countries for the Yugoslav view of a genuinely non-aligned movement. To head off a threat to the movement posed by Arab determination to expel Egypt, President Tito visited Iraq, Syria, Kuwait and Jordan last February and then went on to visit Libya and Algeria plus Malta shortly after his return from Moscow.

It is not yet clear whether Yugoslavia will succeed in keeping the movement both united and genuinely non-aligned. But the level of Yugoslav commitment reflects the fact that if the movement were to split at Havana it would immensely complicate Yugoslavia's own position.

By playing an active role in the affairs of the 86 nation grouping Yugoslavia has gained an influence which is vastly greater than a developing nation of 22m inhabitants belonging to neither of the great power blocs could otherwise have realistically hoped to achieve.

Membership of the non-aligned movement has provided ideological and practical support for Yugoslavia's efforts to retain its independence and pursue its own form of self-management socialism at home. In Yugoslav eyes the two are inextricably linked—hence President Tito's commitment to try to preserve the framework of genuine non-alignment as a continuing basis for the continuation of Yugoslav independence under his successors.

Paradoxically, however, President Tito's vigour and longevity also has its problematic aspects. One is that he is outliving his successors.

The death of Mr. Edvard Kardelj in February removed not only the main ideological architect of Yugoslavia's four post war constitutions and the theories of self-management but also the only man to share with President Tito the status of an all-Yugoslav figure. The other leaders of the so-called partisan generation like Vladimir Bakaric of Croatia or Petar Stambolic are all connected with their individual Republican backgrounds.

Since the death of Tito's heir apparent there has been a noticeable shift in ideological direction. Less and less is heard of Kardelj's theory of the plurality of self managing interests. The emphasis has shifted towards collective leadership.

Under the 1974 constitution the supreme organs of both the Yugoslav federal state and the individual republics and autonomous provinces are all controlled at the top by collective presidencies whose chief executive is rotated annually. The principle also extends to the League of Communists, Yugoslavia's sole political party. At the party congress last June the praesidium of the central committee of the LCY was reduced in size to 24 members—three leaders from each of the republics and two from each of the autonomous provinces plus General Nikola Ljubicic, who is head of the armed forces, and President Tito himself, who is president for life.

Then last October a new position of acting president of the central committee praesidium was set up. This new post will also rotate annually and the first incumbent is Mr. Branko Mikulic from Bosnia-Herzegovina. Bosnia is the most religiously, socially and ethnically mixed republic in Yugoslavia. It is also the republic with the bitterest memories of both the partisan struggle and the fierce civil war which raged at the same time. Given this background Mr. Mikulic is generally considered a conservative.

In Yugoslav terms this means someone who believes in tight party discipline and short shift for advocates of a looser confederation and political pluralism.

The appointment of Mr. Mikulic inevitably cut down the freedom of action previously enjoyed by the party secretary Mr. Stane Dolanc who, for eight and a half years, had effectively been the League of Communists' main organiser. But as the emphasis on collective leadership increased after Kardelj's death Mr. Dolanc's position looked increasingly anomalous; the anomaly was removed after a central committee meeting on the eve of President Tito's departure for Moscow last month. It was announced that henceforth the secretaryship of the praesidium of the central committee of the League of Communists would also in future be a rotating post. Mr. Dusan Dragosavac, a 60-year-old Serb from Croatia, was named as the new incumbent for the first two-year stint.

Mr. Dolanc was presented with a hero of labour medal in recognition of past services and next day accompanied President Tito and other officials to Moscow. Both were moves designed to show that Mr. Dolanc had not fallen from grace and still enjoyed President Tito's confidence.

Mr. Dolanc remains a member of the party praesidium and is expected to devote himself to developing some of the ideological and theoretical issues which were formerly looked after by Mr. Kardelj. He remains a force to be reckoned with.

The systematic collectivisation of leadership at the federal,

CONTINUED ON NEXT PAGE

BASIC STATISTICS

Area	98,766 sq. miles (255,804 sq. km.)
Population	21.77m (1977)
Trade (1978):	
Imports	186.30bn dinars
Exports	105.78bn dinars
Trade with UK (1978):	
Imported from	£160.3m
Exported to	£37.9m
Currency £ =	39.984 new Yugoslav dinars

Major round of restraints to cool the economy

OVER THE last two years Yugoslavs have been spending too much, investing too much and importing too much. Now, however, the state of the economy has become a major political issue and a mixed bag of fiscal, credit and physical curbs is being applied to dampen the economy down.

The effect of these measures should be apparent over the second half of this year. Indeed, by the time bankers and economists gather in Belgrade this September for the annual meeting of the IMF, World Bank and related agencies the economy should be showing clear signs of a rather painful readjustment process. This is aimed at reducing inflation and restoring equilibrium to the balance of payments.

All the classic signs of overheating were visible over the first quarter. Industrial growth was running at an annual rate of 9.5 per cent but this was accompanied by retail price inflation over 20 per cent, personal income rises way in excess of productivity gains, a trade deficit running at an annual rate of $6bn and investment outlays which were both unco-ordinated and way above target.

Yugoslav economists and politicians argue that as a developing country going through a profound process of structural economic change, Yugoslavia has no alternative but to continue with a high growth strategy. But there is a general consensus that the economy is currently overheated especially as Yugoslavia now faces the additional strain of re-building earthquake-hit Montenegro. The severe drought which affected the whole of central Europe at the critical late spring growing period also means that Yugoslavia will face a considerable grain import bill this year.

It has been clear for at least nine months that sharp corrective measures were called for. But such is the devolution of power to the republics, autonomous provinces and the self-managing enterprises themselves that agreement on the restrictive policies to be followed has been repeatedly delayed. Even now there is some doubt as to whether the measures taken are sufficiently tough.

Credit

The most comprehensive measures taken so far are in the credit field. Last year the money supply increased by 28 per cent and bank credits by 29 per cent which was way in excess of monetary and credit limits set by the central bank. Now banks have been instructed to keep their credit expansion to within 10 per cent over the first six months of 1979, 13 per cent over the third quarter and 19 per cent for the year as a whole. Before these new measures the banks were working on the basis of a 27 per cent annual increase in credit.

At the same time new measures are being prepared which will impose much tougher restrictions on new investment. Hitherto many investment projects have been started without adequate financial cover. Henceforth enterprises will have to demonstrate that they can provide 25/30 per cent of the total cost of the investment from their own internal resources and have credit guarantees from the banks covering the rest. Obtaining these guarantees will be extremely difficult within the present monetary and credit guidelines and only top-priority projects, especially those with a guaranteed export earning potential, will be approved. Many existing investment projects are now grinding to a halt or being slowed down through lack of finance.

Subsidies on food and other essential items are also being phased out, purchases taxes have been increased on luxury items and much tougher hire purchase terms have been applied to cars and a wide range of consumer durables. With an eye on burgeoning oil imports the Federal Government has also introduced new petrol saving measures including the second rise in petrol prices within six months, speed restrictions and a ban on driving for one day per week and one weekend per month. The Government hopes to save 300,000 tons of petrol and 500,000 tons of oil products this year in this way.

These classic deflationary measures meanwhile are being accompanied by a considerable degree of political exhortation. President Tito himself has warned that an economic crisis would make it more difficult for Yugoslavia to continue along its chosen path of independence and non-alignment.

Negated

At the *same time* enterprises complain that their theoretical rights over the distribution of income they produce have been largely negated in fact by the demands placed upon them by local and state authorities and the so-called communities of interest. These complaints are now being listened to.

Thus while the enterprises themselves are under pressure to restrain the growth in personal incomes, a ban has been placed on construction of new buildings for the various bureaucracies and the self-managing organisations which run the hospitals, schools and other social services are being obliged to freeze their budgets after a lengthy period when social spending outstripped the growth in GNP generally. The net effect of these measures is expected to reduce claims on the enterprises and improve their retained profits. Failing this, the credit squeeze will have a much fiercer effect than anticipated.

The hope is that restrictions now will allow resumption of more stable growth in 1980. With over 12 per cent of the labour force and some 730,000 people unemployed, and millions more still under-employed in agriculture Yugoslavia needs rapid economic growth to ensure both higher employment and the kind of infrastructure and other investments required for its transformation into a fully modern economy. Economic growth is also essential if progress is to be made in reducing the *enormous* regional imbalances.

Slovenia, the most developed republic, has a per capita income which *is* nearly seven times higher than that of Kosovo, the largely Albanian speaking autonomous province *in the south. Furthermore* the gap between the rich and poor regions of the country appears to be increasing—in spite of loans and *straight transfers* from the developed regions.

Fortunately the poorest regions of Yugoslavia also tend to be those *with* the greatest mineral and energy resources. Under the Yugoslav system of self-management agreements *enterprises* which use power are expected to contribute to the development of specific power resources supplying them. Thus enterprises in Slovenia or Croatia are investing in new power and raw material projects in the less developed regions. Kosovo in particular is also trying to interest foreign investors in the development of electricity for export based on lignite fired power stations to be built on the extensive coal deposits found in the province.

The next five year plan, now under *preparation*, will continue to give priority to the development of raw material and energy sources, transport and *other infrastructures and* agriculture. It presumes a continuance of strong rates of growth into the 1980's. Before getting there however the economy currently faces one of those sharp squeezes which have been a characteristic intermittent feature of the economy over the last decade. An *uncomfortable* few months lie ahead.

Anthony Robinson

Steering

CONTINUED FROM PREVIOUS PAGE

Republican and party level leaves President Tito standing head and shoulders above every institution and everybody. Beneath him an elaborate system of checks and balances is designed to prevent either the emergence of a strong individual or excessive claims by any of the republics. In theory, the system will continue functioning rather like the Swiss constitution with presidents politely rotating annually and committees of collectively responsible leaders harmoniously seeking compromise solutions to all problems.

But Yugoslavia is not Switzerland and even though Yugoslavia has changed enormously over the last 30 years through political change, industrialisation, urbanisation and education it is still ultimately a Balkan federation capable of eruption into fierce passions if ever the circumstances should get out of hand.

It is arguable that the best guarantee against such an eventuality is Yugoslav awareness that if they do not hang together "they risk hanging separately." Thus the creation of a genuinely federal state with devolution of considerable political and economic powers to the republics and to the self managing enterprises and other organisations has been paralleled by the strengthening of both the military and the security forces. These two institutions, together with the league of communists plus the central bank and federal chamber of the economy in the economic sphere, form the vertebral structure of the otherwise devolved system. Taken together their functions are to preserve Yugoslavia's territorial integrity, ideological loyalty to self-management socialism and economic stability.

Alarm

Over the last year the latter has been *giving cause for alarm*. President Tito himself has warned that economic growth under stable conditions is vital for Yugoslavia's continuing independence. But the economy has shown clear signs of overheating with over-investment and sharp rises in personal incomes sucking in imports and leading to more than 20 per cent inflation. The earthquake in Montenegro also caused widespread damage worth hundreds of millions of dollars while drought has also severely damaged agricultural prospects this year. In order to cool down the economy a deflationary package has been put together and Yugoslavs are being called on to tighten their belts.

In spite of current and perspective problems, however, most Yugoslavs are enjoying the fruits of what is a relatively successful consumer society created out of an original mixture of Western technology and Marxist-inspired self-management socialism. For Yugoslavs it seems to work.

But Yugoslavs freely admit that the system is not perfect. Progress towards reducing the huge gap between the most developed north and still relatively under-developed south is proving much slower than originally hoped for. Last year over 100 strikes broke out, and many enterprises and communities of interest continue to invest far more than they can afford and pay higher wages than economically justified.

For the last year Yugoslavia and the EEC have been involved in difficult negotiations for a new five-year trade agreement. At the same time Yugoslav military leaders have also established closer contacts with the Western defence establishment through a series of top level visits and meetings between Yugoslav and Nato military personnel. The U.S. has agreed to sell more defensive arms. At the same time, however, economic relations with Comecon are also developing and Yugoslavia has no desire to join either of the military or economic blocs.

It would hate to find itself in the situation where it had to choose between one side or the other. Hence the current emphasis on maintaining the independence of the non-aligned movement and creating the political and economic conditions for a smooth transition of power in the post-Tito period, whenever that may be.

YUGOSLAVIA III

Rising trade deficit forces more borrowing abroad

VIA'S DETERIOR- reign trade position one of the main fac- ng the authorities to current round of re- aimed at damping economy generally :mand for imports in

of the hoped for im- in the trade deficit final figures showed eficit which was vir- tical to the previous the first four months ar, however, imports er cent to just over exports rose only nt to $1.9bn. This e saw the export o only 47 per cent of npared to the already ory 57 per cent last ese trends had been allowed to continue the overall 1979 trade deficit would have soared to around $8bn. It was precisely to head off this eventuality that the Government has imposed tha restrictions which should lead to an improvement in the trade account over the second half.

The bulk of last year's deficit was with the developed western countries and nearly 60 per cent was taken up by the EEC alone. Of the total deficit with the EEC of $2.53bn West Germany at $1.33bn accounted for more than half while the most favourable trading relationship was with neighbonring Italy where Yugoslav exports covered 64 per cent of its import bill.

Negotiations with the EEC over the proposed new five-year *sui generis* agreement have not been progressing as quickly or as well as originally hoped. They have already been dragging on intermittently for more than a year and with a new round of stagflation on the horizon the chances of a significant breakthrough do not look too promising.

Seen through Yugoslav eyes the EEC has been long on general words of encouragement and recognition of Yugoslavia's strategic importance but short on specific promises of easier access for a fairly lengthy list of Yugoslav industrial and agricoltural exports. Like so many other countries trying to break into the EEC market, Yugoslavia resents the fact that it is a major market for West European goods of all kinds but is denied the means of paying for these imports by access to export markets in the Community.

The resulting trade gap obliges Yugoalavia to rely heavily on export credits and other loans. The gross foreign debt amonnted to around $11bn at the end of 1978 and reserves at $3.2hn. Since then, however, reserves have been run down to around $2.5bn, but recent borrowings of $300m from the IMF, the $660m financial package associated with the Davy Loewy steel plant contract and a successful debt restructuring operation showa that the Yugoslav credit rating is still good.

Financing a deficit is all well and good but arriving at a more balanced pattern of two-way trade with the Community is the top priority for Yugoslavia.

Trade with the developing countries is stagnating at around 15 per cent of the total —as against the 25 per cent target in the current five-year plan —while Comecon accounts for around 34 per cent. Comecon takes 43 per cent of Yugoslav exports and 29 per cent of Yugoslav imports come from this area.

Obliged

This proportion is already as high as Yugoslavia wants to see but it may be obliged to increase Comecon trade further —particularly as the recently-agreed multi-national tariff reductions reduce the already limited preference accorded to Yugoslav goods in the EEC market under the generalised system of preferences. The entry of Greece into the Community is also expected to make it harder to compete in this small but useful market while the eventual adherence of Spain and Portugal will add two further competitors to Yugoslavia's export range.

Understandably Yugoslavs are worried, especially as they face a higher oil bill and the sort of resurgence of protectionism which could well intensify if or rather when another round of stagflation hits the world economy.

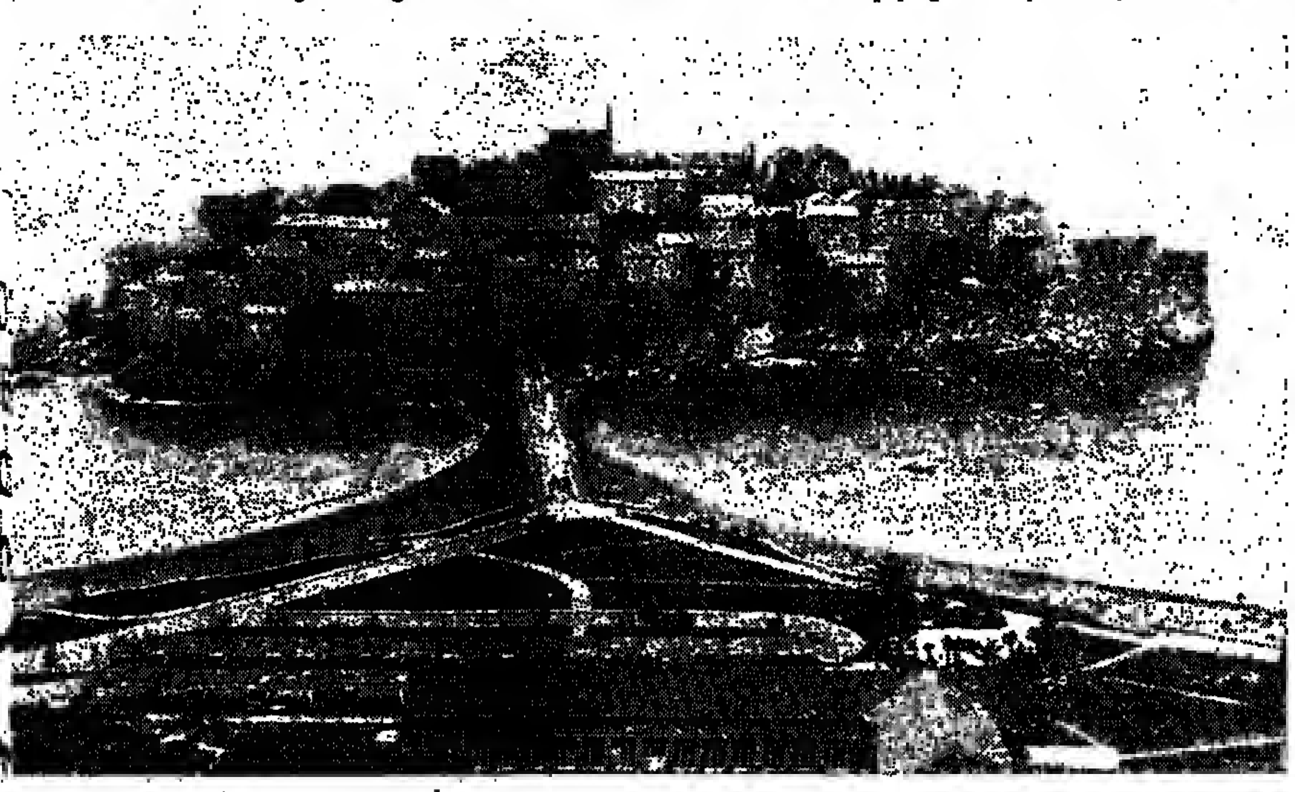
Importers are bound to find the Yugoslav market much more difficult in coming months as Yugoslav enterprises are encouraged to substitute imports or at least drive a hard counter-trade bargain where possible. Suppliers of capital goods will also be asked to include a higher proportion of Yugoslav made goods in their equipment and be willing to examine the possibility of co-operation in third country contracts.

Consumer demand for imported goods is also being curbed by higher consumer taxes and by a combination of high inflation and a squeeze on incomes.

Hitherto the self-management communities of interest for foreign economic relations, which have been established in all republics and provinces as the bodies responsible for ensuring the balance of payments targets, have not worked as efficiently as expected. There is still some confusion of roles between the communities at a local or republican level and the federal secretariat for foreign trade, and the federal chamber of the economy. As the fight for foreign exchange gets fiercer there is bound to be some acrimonious arguments over priorities as projects involving imports are subject to competitive scrutiny.

The hope is that exporters will grasp the nettle and seek to ease the foreign exchange situation by increasing their own foreign currency earnings instead of relying too heavily on the more profitable domestic market which they have tended to do over the last two years.

Aleksandar Lebl
Belgrade Correspondent



...tefan, jewel of the Montenegrin coast, miraculously survived the earthquake unscathed—save for the roof of the church, which collapsed

Measures to reduce energy bill

RGY crisis became a many Yugoslavs last ydro power capacity seriously cut by hen a sudden cold raised demand and he difficulties of min- id transporting it to ons. The result was power cuts which major cities and wide areas of the

mountainous terrain has very extensive ric capacity and tential. It is also with extensive coal deposits which are id in many areas of rzegovina, Serbia and particular. Oil and lies are, however, omestic crude produc- y from the Pannonian- of the Vojvodina is to amount to 4.1m year while total con- is expected to rise to As Yugoslavia has to prices both for the s it imports from the tinn and the much ntities from Iraq and PEC suppliers the this year is expected $1.5bn. with burgeoning oil e authorities have introduced a number of fuel saving measures, raised the price of petrol and petroleum products and electricity and gas tariffs. Central heating will also be reduced by two degrees. These measures are expected to save up to 300,000 tons of petrol and 500,000 tons of derivate annually. But the main consumer is the electricity generating industry which uses 7m tonnes of heavy fuel oil annually.

Ban

Now the Federal Government has proposed a ban on construction of new oil-fired power stations, except those already started before the April 15 1979 cut-off date. The refineries have also been ordered to change their product mix and reduce the percentage of heavy fuel oil they produce vis a vis lighter distillates.

At the same time a major effort will now go into speeding up the development of new and existing coalfields and the expansion of both hydro-electricity and coal burning thermal power stations. One of the most ambitions projects is a $4bn scheme to build seven or eight 600 MW power stations on the coal fields in Kosovo which have over 2bn tons of proven reserves. The power generated would then be available for export to those countries like Switzerland, Austria, Italy, France and West Germany who are currently being sounded out with an eye to investing capital in the project. Feasibility studies have been carried out by a West German consulting company.

Major Yugoslav energy consumers are also being pressured to set aside funds for the finance of power projects.

But Yugoslavia is also turning to the nuclear option as well and the first nuclear power station, under Westinghouse licence, is being built at Krsko on the Slovenian-Croatian border as a joint venture by the two republics. Plans to build a second nuclear station on an island near the port of Zadar have aroused strong protests from what is probably the only vocal anti-nuclear lobby to be heard in a socialist country. The existence of such a lobby and its ability to protest and have its protest heard is one more indicator of how the Yugoslav system differs from the oppressive state-knows-best mentality to be found elsewhere in eastern Europe.

Apart from the U.S. industry the Soviet Union, Canada and West Germany have all expressed their interest in participating in the development of Yugoslavia's nuclear programme. The final choice of a partner will depend very largely on the amount of design and construction work which can be sub-contracted to Yugoslav enterprises.

Aleksandar Lebl

Regions creating progress

BY ANY standards the creation of a modern socialist Yugoslavia out of the hotchpotch of formerly feuding nations, religious and ethnic groups which inhabit this once backward Balkan country is a political achievement of a very high order.

Yugoslavia as such has existed since the end of World War I, which swept away the Hapsburg, Ottoman and Romanov empires which had fought for supremacy in the Balkans for generations. But in the eyes of the Communist partisans who took power at the end of World War II the prewar Yugoslav State was too centralised and too Serb-dominated to create either a viable Yugoslavia or a national sense of unity.

This suspicion of centralism and the belief that the Yugoslav pattern had to be one of "unity in diversity" was one of the factors behind the Yugoslav Communist Party's rejection of the Soviet-inspired model in 1948. Since then the process of devolving economic power to self-managing enterprises and political power to the six republics and two autonomous provinces has continued apace.

The path has not been smooth. In 1971 an outbreak of what is now termed "nationalist euphoria" broke out in Croatia and was first suppressed and then defused by massive constitutional reforms enshrined in the 1974 constitution.

The new constitution gives equal rights to all the six republics — Serbia, Slovenia, Croatia, Bosnia-Herzegovina, Macedonia and Montenegro—and the two autonomous provinces—Vojvodina and Kosovo—irrespective of the large differences among them in wealth and population.

Thus each republic and autonomous province sends one representative to the nine-man collective State Presidency, which is the highest executive body. Similarly the republics send three, and the provinces two, representatives to the 24-man collective Presidency of the League of Communists Central Committee, the highest party organ.

At the same time the republics have their own separate Parliaments and institutions and are responsible for a wide range of services. They even have responsibility for their own balance of payments. Throughout Yugoslavia the six nations and 18 linguistic, cultural, religious and other groups have rights of self-expression — including such groups as the gypsies, who have their own flag and are probably better treated than anywhere else in Europe.

This devolution of power and responsibility on a political level is matched by the powers possessed by the self-managing enterprises which form the basis of the economic system.

This leaves foreign policy, defence and the currency as the main areas of Federal responsibility. Overall equilibrium depends on an infinitely complex process of inter-republican and inter-enterprise discussions which are organised on a system of elected delegates who are mandated to represent the views of their particular constituency—whether economic, social or political.

League

Apart from the army and the security forces, the other main Yugoslav-wide body is the League of Communists—although even this is also organised on a republican and provincial basis with the same kind of collective leadership as functions at the Federal level.

Under this highly complex and original system Yugoslavia has managed not only to develop politically and socially but has also gone through a profound process of economic change. Although the average income of Slovenia is still nearly seven times that of Kosovo, the spread of education, construction of a modern road, railway and air network, television and the development of a consumer society have done much to even out many of the enormous cultural differences which formerly existed.

The republics contribute nearly 3 per cent of their income in the form of loans and credits to various regional development funds. Some YD27.8bn, around $1.4bn, will be spent this year on projects aimed at bridging the wide gap between the industrial north and formerly backward southern regions.

As Italy and other countries with similar problems have shown, this is a much longer and more complex task than originally perceived. But the will to reduce the gap is there—and much originality is shown in trying to link, say, the energy needs of Slovenia with the mutually advantageous development of energy resources in less developed areas. It is all part of the policy of creating a sense of national unity of purpose.

Younger people in particular are far more ready to describe themselves as Yugoslavs than were their parents. Greater physical and social mobility has also led to greater population shifts and more mixed marriages. Only a small proportion of Yugoslav citizens write Yugoslav on the entry line in their passport asking their nationality. But the freedom to remain, say, a Croat or a Serb or a Moslem within federal Yugoslavia is probably one of the reasons why it has been possible for Yugoslavia to show itself to the world as a practical example of how multi-racial and multi-lingual societies can prosper—not by suppressing but by respecting the differences.

The articles which follow describe some of the characteristics of Yugoslavia's main component parts.

A.R.

NATIONAL INCOME 1977 ($m)

Slovenia	3,553
Croatia	2,262
Vojvodina	2,253
Serbia	1,776
Montenegro	1,262
Bosnia-Herzegovina	1,232
Macedonia	1,212
Kosovo	581
Per capita income for Yugoslavia (1978)=$1,920	

The ancient walled town of Dubrovnik on the Adriatic coast —a major tourist centre

Serbia

MORE THAN one in three of Yugoslavia's 22m inhabitants is a Serb and giving them a fair share in the running of Yugoslavia without causing fears of domination to arise among the other nationalities and ethnic groups has always been a somewhat difficult task.

Only about 6m out of a total 8m Serbs actually live in Serbia which houses the federal capital Belgrade and covers most of Eastern Yugoslavia as far as Macedonia. Large Serb minorities live in Croatia and Bosnia-Herzegovina in particular. At the same time Serbs are the largest single group in the Vojvodina, the flat bread basket of Yugoslavia, but are outnumbered four to one by Albanians in Kosovo, the mainly Albanian-speaking province to the south east. Vojvodina joins on to the great Hungarian plain and many of its inhabitants are ethnic Hungarians, Croats, Romanians, Slovaks, Ukranians and those remnants of the former large ethnic German and Jewish minorities who remained after the last war.

By making Vojvodina and Kosovo autonomous provinces the policy has been to respect their cultural and ethnic diversity while at the same time cutting down the size of Serbia proper in the least offensive manner.

Although the largest and most populous state in the Yugoslav federation Serbia's per capita income at $1,776 last year is below the national average of $1,920.

But Serbia itself is also divided up into a relatively prosperous north around the capital Belgrade while incomes steadily drop as one moves into the predominantly peasant farming south. This area, comprising over 40 per cent of the territory and 26 per cent of the population, receives aid from Serbia's own regional development fund in addition to federal funds. At the same time Vojvodina enjoys a per capita income of $2,253 which places it well above the national average thanks to the fertility of its farming land which provides a base not only for successful peasant farming but also large agro-businesses and a thriving food processing and agricultural machinery and other industries. It also produces oil and gas and exploration is being speeded up in the hope of reducing Yugoslavia's dependence on imports.

Demands

Kosovo on the otherhand is the poorest region in Yugoslavia with a per capita income of $561 in spite of the fact that 30 per cent of Yugoslav development aid and loans goes to this province. The results can be seen most clearly in the provincial capital of Pristina which boasts many new factories and has been largely re-built and expanded to accommodate the demands of a rapidly rising population.

Serbia has made considerable efforts to industrialise in recent years and several of the countries largest enterprises are based here. Crvena Zastava at Kragujevac south of Belgrade for example is Yugoslavia's largest car and truck company. It is currently involved in a large scale expansion in co-operation with FIAT with whom it has been working closely for over two decades. Serbia is also rich in minerals and the Bor copper mines are among the largest in Europe. This mineral wealth is also the basis of a thriving metallurgical and manufacturing industry with cable factories, copper and aluminium rolling mills. The importance of the metallurgical sector will be increased by the new steel plant and rolling mills to be built by Davy Loewy for the Smederevo metallurgical combine.

Nis, halfway between Belgrade and the Macedonian capital of Skopje, is also developing into one of the main centres of the electronics industry. It has agreements with Honeywell and several other companies.

But Serbia, along with all the other parts of the country, is now having to shelve several of its long term infrastructure investments, or at least to slow them down until the economic climate improves.

Thus work is slowing down on the much needed motorway through to the border with Greece and on reorganisation and re-routeing of the Belgrade railway network, including construction of a new railway station. Two sugar refineries and other industrial projects have also been held up by lack of funds.

A.L.

Bosnia/Herzegovina

MODERN SARAJEVO, capital of the Republic of Bosnia-Herzegovina, is a far cry from the dusty provincial town in which Gavril Princip fired that fateful shot which was to ignite World War One.

Now it is a throbbing industrial city, choked with smog in winter, but still unmistakably the product of an extraordinarily rich and complex religious, cultural and ethnic mix. Historically this was where east and west, Hapsburg and Ottoman met. It is reflected today not only in the mosques and minarets cheek by jowl with synagogues and both Catholic and orthodox churches, it can also be seen in the people.

Out of a total population of just over 3m at the last census in 1971, 1.48m described themselves as of Moslem nationality, 1.39m as Serbs and over 770,000 as Croats, plus the usual sprinkling of minorities and 44,000 people who described themselves as Yugoslavs, that is to say people of such mixed antecedence as to defy any other description.

But the word Moslem requires some definition too. A moslem with a small m is someone who practises the Islam faith. A Moslem with a capital M is someone of Slav origin whose ancestors were converted to Islam during the Turkish suzereignty.

The distinction is made because belonging to the officially recognised Moslem nation does not mean that the person concerned is necessarily a practising Moslem. It is interesting to note however that Moslems within Yugoslavia have not been immune to the general resurgence of Islam in recent years and steps have been taken to increase Moslem representation in both political and social life.

Bosnia-Herzegovina used to be one of the least developed parts of Yugoslavia and being the central battlefield of the national liberation war for four years it was completely devastated in 1945. It has probably made the biggest progress of all Yugoslav republics over the past three and a half decades. With the assistance of other republics, but mainly through its own efforts, it has built the basic infrastructure, developed a modern industrial sector, re-organised its agriculture and made big strides in culture.

Where only small-gauge railways existed there are now normal gauge electrified lines connecting all industrial centres. At Ploce, a Dalmatian town on the territory of Croatia, Bosnia has developed its own port integrated in the Bosnian transport system. Where there was no concrete or asphalted road there are now several thousand kilometres of modern roads, connecting all communes of the republic. The construction of the first motorway is in progress, partly financed by the IBRD.

The biggest iron and steel complex in Yugoslavia is at Zenica, in Bosnia, with close to 40,000 workers. Its iron ore mines also supply other domestic iron and steel complexes, coking plants, several iron and steel mills, rolling mills and other processing units. Annual production approaches 2m tonnes of steel and the same quantity of rolled products.

Forests

Bosnia-Herzegovina is also the home of Sipad, Yugoslavia's largest forest and timber product's industry with some 65,000 workers. It exploits 23 per cent of all Yugoslav forests and accounts for a high percentage of various semi-finished and finished wood products. Sipad has also been one of the biggest Yugoslav exporters, selling a quarter of its output abroad. Energoinvest of Sarajevo is another. Bosnian firm which deserves a mention. It has a reputation as the first Yugoslav conglomerate. It covers a wide range of activities, from oil and gas exploration and processing, and non-ferrous metals exploitation to manufacturing of electrical and processing equipment. Energoinvest has been a successful exporter and is in a way a multinational corporation, with several firms abroad.

UNIS of Sarajevo is another major industry which manufactures Volkswagen cars and has numerous other industrial co-operation agreements with such firms as Olympia, for typewriters, calculators and office equipment, SKF bearings, Sloger gas meters, NCR cash registers, LM Ericson telecommunication equipment and others. Soko of Mostar manufactures training and combat jets with Rolls-Royce engines.

Several big agro-industrial combines, like UPI, Bosanska Krajina or Hepok have been among the biggest and most successful agro-businesses in Yugoslavia. They have revolutionised Bosnian agriculture. Formerly backward peasants are being turned into modern small farmers who produce what is needed on the market as told by experts of the large combines.

Now Bosnian farmers can produce enough food not only to satisfy own needs but also some surpluses.

However the leadership still feels that their republic is not making full use of its rich natural resources and that instead of selling raw materials and energy to others it should process more itself.

Bosnia-Herzegovina has also not been immune to economic problems plaguing Yugoslavia. Last year investments were 30bn dinar above plan. In 1979 some 17bn dinar worth of investments have been started without secure funding. Some projects will have to be postponed or abandoned like the third stage of the Zenica ironworks construction, the 380 kV power grid and some hospitals and schools.

But the main problem facing the Bosnian leadership is to persuade the other republics that it should still be a major beneficiary of federal development funds over the life of the next five-year plan. In spite of the impressive strides made so far the per capita income of $1,232 still makes it one of the developing areas of Yugoslavia. By the end of the next five-year plan however it hopes to be much closer to the federal average.

A.L.

Slovenia

Ever since the birth of modern Yugoslavia, the Slovenes have represented an element of political and social stability. Thrifty and industrious, emotionally stable and better educated than their fellow South Slavs, they are occasionally called "the Swiss of Eastern Europe." Roman Catholic and using the latin alphabet, the Slovenes speak a language that differs considerably from that spoken by the Serbs and Croats.

Both in the inter-war period and through the centralist phases of the Tito era, the combination of such factors as the geographical distance from Belgrade, the difference in language and a shrewd political leadership combined to preserve a surprising degree of internal autonomy. Furthermore. Slovenia is the one republic without internal national or minority problems because almost 96 per cent of the population are Slovenes. The fact that Slovenia is a pacemaker of economic progress has also been due to such factors as its proximity to Italy and Austria, the tradition of highly developed and specialised animal farming, orchards and vineyards and last but not least a relatively high cultural and technological level. According to the 1971 census, illiterates made up 15 per cent of the Yugoslav population (over ten years old). But in Slovenia the percentage was a mere 1.2 per cent.

The opening of the borders with neighbouring Italy and Austria and the impetus given by the so-called Osimo Agreements between Yugoslavia and Italy have produced a new forward-looking mood concerning economic co-operation. The creation of a customs-free zone near Sezana as provided for by the Osimo agreement, is seen as a significant fillip to economic collaboration. With Austria, relations were subjected to strains and stresses in the past because the Austrian side has still not fulfilled completely the relevant paragraphs of the 1955 State Treaty. However, lately there has been some improvement in the atmosphere and it is hoped that after the recent general elections, the socialist government in Vienna will at last take further measures to satisfy the small Slovene minority in Carinthia.

Iranically, Slovenia's economic successes have created both resentment and charges that the Slovenes exploit the under-developed areas of Yugoslavia. In turn, the Slovenes feel that a far too large slice of their social product is siphoned off for often unproductive investments in the south. Slovenian spokesmen like to point out that the Slovenes cannot be expected to compare their standard to the Albanians or Macedonians. They compare themselves with their neighbours, the Italians and Austrians.

Yet it is also a fact that in 1964 the pro capita GNP in Slovenia was 184 as against a Yugoslav average of 100, while by 1978 it was more than double the Yugoslav figure and more than six times as high as the most underdeveloped Kosovo region. In short, the relative gap has widened and not narrowed, with the Slovene per head GNP between $3,300 and $3,400, compared to the all-Yugoslav figure of $1,912.

It was no accident but almost a logical development that Slovenia produced the country's first truly multinational company. It name, "Gorenje" has become almost a household name to Austrian and West German listeners to radio commercials. This producer of household appliances, set up in 1953 in Velenje, an old industrial centre in Slovenia on a self-management basis, now employs over 20,000 workers with an annual turnover of some $1.1bn, exports account for $140m. By 1985 the 12 plants operating or under construction in Yugoslavia and the subsidiaries abroad (Austria, Greece, Denmark, and France) should attain a sales volume of $2bn with exports worth $500m.

Starting with household appliances, Gorenje now manufactures 2,000 different sophisticated electronic items and components. Its greatest and to many West Germans almost unbelievable coup was the take-over last year of the Koerting Radio Werk, which, operating in the Bavarian town of Grassau, had a labour force of 1,350. Badly hit by the recession Koerting accumulated losses to the tune of DM 80m and had to dismiss half of its labour force. Finally, Gorenje acquired the plant for DM 22m. The new managing director, Mr. Oskar Pistor, who comes from Gorenje, is hopeful that what is now called Koerting Electronic GmbH might be put on a self-supporting basis by the end of this year. Gorenje is currently negotiating the setting-up of new ventures in Europe, Afri and Asia.

Gorenje is of course in ma respects unique. But so Slovenia, which, though accou ing for a mere 8 per cent the Yugoslav territory and per cent of the total populati provides a disproportionat large segment of the countr production and exports. Tl it turns out 17 per cent of Yugoslav GNP which is alm as much as the combined G of two other republics—Bosr Herzegovina and Macedonia.

Even these figures do not g a complete picture for should also take into acco such factors as quality, des and packaging. No wonder t Slovenia ships about 60 per c of its exports to West Europe and North America against 40 per cent for country as a whole. Slove accounts for 18 per cent of Yu slavia's aggregate exports 27 per cent of all-Yugoslav s to Western Europe and c one-fifth of shipments to N America.

Such large concerns as I (electronics), Litostroj (en eering), or Metalka (exp import and refinancing c pany) are today well kn names in European industry commerce.

One in three joint com cial ventures with foreign fi is operated by Slovene en prises. With exports this set to increase by 8 per while imports only by 4.5 cent, it is hoped that the sh of imports covered through ports will rise from 62 to per cent. Slovenia is also only Yugoslav republic wi has no unemployment on the contrary a rising dem for "imported" labour. T it has had to import alr 150,000 workers from o republics.

Paul Lend

صكنا من الأصل

Montenegro

THQUAKE which hit o on Easter Sunday 100 people, left some re temporarily home- destroyed more than republic's industrial t infrastructure. But tenegrins fear that in rm, the greatest blow been to the cultural of their fiercely nation.

he population of whom only some e actually Montene- fontenegro is the of Yugoslavia's six But it has played a history of the south out of all propor- size. Once a tiny ruled over by a op, Montenegro kept resistance alive for while the rest of the ninsula was under le.

gro's struggle against was immortalised by in a sonnet: "O nong people! Rough of freedom! heating back the urkish Islam for 500 t Tsernagora!" Glad- equally impressed. that "the traditions gro exceed in glory arathon and Thermo- all the war traditions d."

ior-like traditions of found physical ex- villages perched on k mountain," and coastal towns like a and Ulcinj. The ontenegro, they gave beautiful coastline historic appeal—but transformed by an lasting 50 seconds towns, guarded by prevent looting. rin officials promise ne the old towns, a prized part of cultural heritage, tored—even if they e rebuilt brick by rt many ordinary is fear that the storic continuity will gmarked one of 900 ess residents of old Budva: "My family lived here for generations. The only future I see for the place now is as a museum."

More difficult to restore will be the mountain villages whose traditions have in any case steadily been eroded with the spread of a new consumer culture and the shift in population towards the towns. In the Montenegrin capital of Titograd, Dr. Olga Perovic, a Republican Minister, told a Press conference shortly after the earthquake that the disaster had changed the map of Montenegro.

"Some mountain villages inextricably linked with our past are simply going to disappear. These villages have a special meaning for us since it was here that our people found shelter for centuries against foreign invaders. Now they are reduced to rubble—and there's no chance of their cultural life being revived," she said.

Rubble

In the village of Limljani, which hangs to a cliff above the Japanese print-like surface of Lake Skadar, a young peasant surveyed the heap of limestone rubble to which his house had been reduced by the earthquake. "This is now a dead village. Nobody will ever live here again," he remarked.

The fatalism is all the greater because of memories of what Montenegro once was. The echoes of the past are strongest in the old Montenegrin capital of Cetinje, situated on a 2,000-foot high plateau beneath Mount Lovcen. At first glance an austere, provincial town, it boasts a royal palace and half a dozen former legations, the historical leftovers of an age when the Princes of Montenegro had diplomatic relations with Russia, the U.S., and Britain.

Today, many of the legations are neglected, their once elaborate facades uncared for and crumbling. The British legation, which still contains furniture supplied by the 19th century equivalent of the Ministry of Works, appears to have been taken over by squatters.

While Montenegrins are now described as a separate nationality in Yugoslav censuses, historically they considered themselves Serbs—and played a vital role in preserving Serbia's fighting spirit. By contrast, it was the Serbs of the Vojvodina who provided the intellectual stimulus by virtue of their links to the Austro-Hungarian empire.

As an English historian, H. W. V. Temperley, once put it: "The Serbs of Serbia were saved from despair by the Serbs of Montenegro and from ignorance by the Serbs of Vojvodina."

Montenegro played a similar role during the Second World War when its mountain fastnesses became the centre of resistance by Marshal Tito's Communist partisans to Nazi occupation. After the war, in one of those ebbs and flows of population between mountain and plain that are so characteristic of Balkan history, the victorious Montenegrin partisans took over many of the best jobs in the Federal capital, Belgrade.

The influence of Montenegrins within the Federal administration has been declining in recent years with the gradual replacement of partisans by technocrats in key positions. But it is still totally disproportionate to the Republic's size.

A recent survey conducted by the Rand Corporation showed that while Montenegrins account for only 2.5 per cent of Yugoslavia's total population, they provide 10.3 per cent of the officers in the Yugoslav People's Army—and a staggering 19.3 per cent of the generals. Montenegro also has as many representatives in the policy-making LCY Presidium as Croatia—a republic with nine times the population.

Montenegro's political clout is one reason why the Republic has been able to attract so much investment since the war—diversifying its economy in the process from dependence on agriculture to industry and tourism. While 80 per cent of Montenegrins worked on the land in 1946, today the agrarian population has dropped to around 30 per cent.

Unfortunately for Montenegro, it was the richest and most developed part of the Republic which bore the brunt of the the destruction caused by the earthquake on April 15 and a series of some 2,500 tremors and aftershocks. The modern port of Bar, Yugoslavia's main outlet to the southern Adriatic, lost two thirds of its equipment and the shipyard at Bijela on the Bay of Kotor was completely destroyed.

According to officials, between one third and one half of the buildings along the Montenegrin coastline have been either totally destroyed or heavily damaged. Around one half of the hotels in the Republic are now unusable—together with 90 per cent of the accommodation usually available for tourists in private homes.

Priority

Senior Montenegrin officials are reluctant to give overall estimates of the damage caused by the earthquake, but the President of the Montenegrin Assembly, Budislav Soskic, recently estimated that the Republic would need several years to reach its previous level of economic development. He said priority would be given to building new houses since an estimated 40,000 people are still camped out under tents—a situation which has already led to considerable nervous tension and could become unbearable by winter.

Foreign aid has poured into Montenegro since the earthquake, with apparently the largest donation of a complete factory for building pre-fabricated homes and millions of dollars worth of medical equipment coming from the Soviet Union. Making the announcement, Soviet officials stressed the traditional ties of friendship between Montenegro and Russia, which were once so strong that a Royalist Montenegrin minister used to boast: "Together with the Russians, we are 200 million people."

If, however, present-day Soviet leaders are hoping to gain anything more than gratitude from their gift to Montenegro, they are likely to be disappointed. Sitting in one of Titograd's crowded restaurants and indulging in his countryman's passion for conversation, a Montenegrin journalist explained that admiration for Mother Russia had its limits.

"The sentimental feelings are still there, of course—but they are often misinterpreted by foreigners who imagine that, of all the Yugoslav peoples, we would be the most likely to acquiesce to a Soviet take-over. In fact, Montenegrins are very different from Russians. At heart we're anarchist individualists—you know the saying, two Montenegrins three opinions—and we'd be the first to resist any outsider telling us what to do," he said.

Whatever the economic and cultural devastation wrought by the earthquake, the Montenegrins' love of independence is an attitude of mind which appears to have survived intact.

Michael Dobbs

Macedonia

ONCE THE essence of what Victorian politicians called "the Eastern question" Macedonia has dropped out of the newspaper headlines in the West in recent years. But it has remained a thorny and recurring issue in Yugoslav-Bulgarian relations—and by extension Yugoslav-Soviet relations.

Put simply, Yugoslav politicians fear that what they regard as Bulgaria's historic grudge at being deprived of much of Macedonia could provide the Kremlin with an ideal excuse for stirring up trouble in the Balkans after Tito's death. For their part, the Bulgarians have accused the Yugoslavs of interfering in their internal affairs by insisting that they recognise the concept of a Macedonian nation.

At stake is an exceptionally beautiful land of lakes and mountains stretching across three countries — Yugoslavia, Bulgaria and Greece. With its wonderfully clear water and pinkish trout, Lake Ochrid in Yugoslav Macedonia has become one of the most popular tourist spots in the Balkans. Perfect medieval monasteries full of fine frescoes nestle beneath the snowcapped mountains that rise up along the Albanian border.

Over the past year, Bulgaria and Yugoslavia have accused each other of harbouring secret territorial claims and distorting history to their own advantage. In support of their arguments, each side has distributed bookcases full of pamphlets in four or five languages to a largely disinterested world press.

Reflecting the preoccupation with the past, the bitterest exchanges have been traded between two septuagenarian politicians, Mrs. Tsola Dragoycheva for Bulgaria and General Mihajlo Apostolski for Yugoslavia. In her memoirs, Mrs. Dragoycheva, who is a member of the Bulgarian politbureau, recalled the medieval Bulgarian empire which stretched from the Adriatic to the Black Sea.

Delegations

The memoirs were promptly denounced as "a forgery" by General Apostolski, president of the Macedonian Academy of Sciences, who himself accused Bulgaria of always seeking profit by hiding behind the coat-tails of a great power — first Tsarist Russia, then Nazi Germany, and now the Soviet Union. The Bulgarians, he fumed, "are trying to prove that they came to the Balkans ahead of the Slavs, that all of this belongs to them and that it is their historic goal to be the hegemonists in the Balkans."

Tentative attempts are now under way to take the heat out of the Macedonian issue with exchanges of high-level delegations between the two sides. It is of course in Yugoslavia's interest to settle the question once and for all in Tito's lifetime. Bulgaria too says it has an interest in a stable and prosperous Yugoslavia on its Western borders.

Such professionals of peaceful intent usually provoke ridicule among Yugoslav officials who, as far as Macedonia is concerned, are firm believers in the conspiracy theory of history. Nevertheless it is true, as a Western diplomat in Sofia observed, that Yugoslavia can seem as much a threat to Bulgaria as the other way round.

According to this view, the quarrel over Macedonia (four wars have been fought over the issue this century) now reflects the clash between two totally different systems of government. As a multi-national state, Yugoslavia is committed to devolution of decision-making, workers' self-management, and full minority rights. Bulgaria, on the other hand, has been trying to build a strong unitary nation-state and is committed to central planning.

Since the Second World War, Yugoslav policy towards its segment of Macedonia has been twofold: to do everything possible to inculcate the idea of Macedonian nationhood, and to raise the standard of living in what used to be one of the most impoverished corners of Europe.

Before the war, the region was merely regarded as the southern part of Serbia — a situation which led to considerable resentment against Belgrade among the local population, at least some of whom felt a closer affinity for Bulgaria.

As far as Yugoslavia was concerned, the Macedonian problem was solved when Marshal Tito decided to give the region republican status of its own. The result is that today the Yugoslav Republic of Macedonia has its own national assembly, government, language (in Bulgaria Macedonian is considered a sub-dialect of Bulgarian) and even orthodox church which broke away from the Serbian Orthodox Church in 1966.

The Yugoslavs can also point to the undeniable economic successes attained in their section of Macedonia since the war.

One legacy of 500 years of Turkish rule is that many Macedonians still build high brick walls around their homes —a custom based on the desire to create private refuges away from the avaricious demands of public officials.

The sense of stubborn fatalism, however, is gradually being eroded with the shift in population from the countryside to the town and increasing material wealth. With their sense of vibrant nationalism, Macedonian officials exude a self-confidence that is absent in some other parts of Yugoslavia.

Macedonia's population of 1.6 million provided many of the so-called gasterbeiter, or guest workers, who left Yugoslavia in the late 1960s and 70s to find work abroad, particularly West Germany.

Today many gasterbeiter are returning, bringing back with them new skills, values, and money: In the village of Vevchani near Lake Ohrid, for example, the pot-holed country lanes are lined with Mercedes and Volkswagens bought in West Germany.

Finding jobs for the returning gasterbeiter is a major problem despite the rapid expansion of industry. The Republic's economic growth, an extraordinary 16 per cent annually, is one of the highest in Yugoslavia, and has been helped by abundant deposits of minerals such as iron ore, lead, and zinc.

Among the most important industrial plants are the Skopje iron and steel mills with planned production of one million tons of steel a year, a chemical works and bus factory also in Skopje, and a lead-zinc smelting mill in Titov Veles, and half a dozen textile factories. Tobacco plants in Prilep, Skopje, and Kumanovo produce over 20,000 tons of cigarettes made from Macedonian tobacco annually.

Michael Dobbs

Croatia

CROATIA, WITH its long Dalmatian coastline and now heavy industrialised Danubian hinterland, is a mixture of Mediterranean and central European influences cemented by deeply Roman Catholic traditions. In the course of his recent tour of Poland, Pope John Paul II singled out both the Slovenes and the Croats as the first Slav peoples to be converted to Christianity way back in the VIIth century.

Now of course Croatia is a socialist republic but one in which national traditions and national pride are never far from the surface.

Along with the rest of Yugoslavia, Croatia has recorded rapid economic growth in recent years. In a long report to the foreign press Mr. Jure Bilic, president of the Croatian parliament recently proclaimed that Croatia has never been so prosperous as now and that its share of the all-Yugoslav GNP has risen from 25 per cent to 27 per cent although its share of the total population is only 22 per cent.

Other figures have also been listed to show that there is no question of an exploitation of Croatia or a subordination of its interests to other considerations. Croatia is a major foreign currency earner. Though the trade balance shows a deficit of some $200m, the overall external payments situation is characterised by a surplus.

With its magnificent Adriatic coast, laced by 1,180 smaller and larger islands, Croatia is a great power in Yugoslav tourism with earnings of $800m per annum. The labourers from Croatia working abroad transfer a further $1bn annually. However, like everyone else in Yugoslavia, with the possible exception of the thrifty Slovenes, the Croatians have also been living beyond their means.

The party and government bodies issue almost daily calls to curb investments and cut expenditures coupled with pleas for higher productivity. The secretary of the Croatian Party, Mr. Milutin Baltic said recently that "the situation was serious," and the party chairman, Mrs. Milka Planinc warned that wishes should not be confused with realities. Though the Republic last February decided to reduce investments in new projects this year by 40 per cent, stringent stabilisation measures are demanded in other spheres too. Meanwhile, despite a 4 per cent increase in employment, the number of workless will remain about 80,000.

The return of migrant workers is also a problem. This year for example an estimated 3,000 workers will find employment outside the country, but at the same time some 10,000 workers will return from abroad. This creates both economic and political problems.

The point is that Croatia has traditionally been the hotbed of nationalism and thus also in certain periods was seen as a threat to Yugoslav unity. Well over half of the Croats live either abroad or outside Croatia in other republics. Some 3.5m live in Croatia proper, accounting for almost 80 per cent of the population. Serbs constitute 14 per cent with Slovenes, Italians, Czechs, Slovaks, Hungarians, and Ukrainians accounting for the rest.

Yet at the same time some 770,000 Croats live in Bosnia-Hercegovina together with Serbs and Moslems. There are also 138,000 Croats recorded in the autonomous province of Vodjvodina, which belongs to Serbia. Last but not least about 1m Croats live permanently in the U.S. and Western Europe, while well over 250,000 are migrant workers, primarily in Germany, Austria, France and Sweden.

The Croat minorities in neighbouring Hungary and Austria number some 90,000.

The Croat problem can only be understood against this background and the memory of the Great Serbian domination in the interwar period. The feeling of hurt national pride infused such emotions into an essentially economically motivated battle for a higher slice of the all-Yugoslav cake in the late 1960s and early 1970s. The crisis culminated in the mass movement, led and manipulated by national-minded Communist leaders of the post-war generation. Their action was seen by Marshal Tito and the army high command as going beyond the permissible limits and posing an acute threat to Yugoslavia's future. The purge of thousands of party functionaries, youth leaders and intellectuals put an end to the period of "national euphoria."

Prisoners

According to Mr. Bilic, there were "only" 96 political prisoners in jails last spring of whom 43 were so-called "serious cases." Evidently, these are extreme nationalists convicted or accused of preparing terror outrages.

Tourism, shipbuilding, electronics, chemicals, timber, textiles and food industries are the props to the economy. Particularly important is the fact that Croatia provides the bulk of the 4m tonnes of crude oil output and the refineries of the "INA" concern processed 14.5m tonnes last year. The fuel crisis and the rising spiral of crude oil prices coupled with the uncertainty concerning supplies from Iran, may adversely affect both the single largest joint venture so far concluded with a foreign company, the $1bn deal between INA and Dow Chemical, and the pipeline project from the Adriatic to Hungary and Czechoslovakia with a planned final throughput capacity of 34m tonnes.

On the whole, however, the life of the 4.5m inhabitants is characterised by a growing impact of dynamic industrialisation and the windfall from tourism. But the outward political calm may well be somewhat deceptive and the influence of the Roman Catholic Church, particularly after the enormous impact of the Papal visit in Poland, should also be taken into consideration by the Communist authorities.

Another sign of the times is that Croatia has also been the first area in a socialist country to be affected by the anti-nuclear movement. Official estimates indicate that indigenous hydro, coal and other power sources will only supply one third of Yugoslavia's energy needs by the fourth decade of the next century and that nuclear energy will have to fill the gap.

But this has not stopped the inhabitants of Zadar and local communities in the area protesting against plans to build a nuclear power station on the island of Vir. The 2,000 islanders feared the impact on tourism, fishing and their vineyards. But the protest spread, so that eventually the proposal to build the station was deleted from the economic plan.

Now more and more towns and villages along the coast are protesting against the environmental impact of new industries and their related power and other needs. As elsewhere economic progress is increasingly seen to have its disadvantages as well as its advantages.

Paul Lendvai

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COPPER

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
June	Dec.	Messina R0.50	86	12.12	—	—	—

MISCELLANEOUS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
—		Barymin	66	—	—	—	—
—		Burma Mines 17½p	13	575	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	295	3.1	Z030c	—	6.3
November		Northgate C$1	355	30.9	—	—	—
Jan.	July	R.T.Z.	282	3.5	11.5	2.7	5.8
—		Robert Mines	22	—	—	—	—
—		Sabina Inds. C$1.	36	—	—	—	—
—		Tara Exptn. $1	637	—	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
Feb.	Aug.	Buffels R1	$14¾	2.1	Q200c	ϕ	16.2
Aug.	Feb.	East Drie R1	$14⅝	2.1	†Q115c	1.6	9.7
Aug.	Feb.	East Rand Prp R1	920c	2.1	†Q10c	—	1.3
June	Dec.	F.S. Geduld 50c	$26¾	30.10	†Q315c	2.4	14.0
June	Dec.	Pres. Brand 50c	$18⅞	30.10	†Q150c	3.2	9.4
May	Nov.	St. Helena R1	$18	20.3	†Q190c	1.4	12.5
Aug.	Feb.	Stilfontein 50c	665c	2.1	†Q66c	ϕ	12.4
Aug.	Feb.	Vaal Reefs 50c	$33⅞	29.1	Q280c	2.7	9.5
Feb.	Aug.	West Drie R1	$49¾	2.1	Q615c	1.7	15.7
June	Dec.	West Hldgs. 50c	$34¾	2.5	†Q415c	1.4	14.1
Feb.	Aug.	Western Deep R2	$16¼	29.1	Q147½c	2.1	10.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ★ Regional price.
- || No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

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FINANCIAL TIMES

Monday June 25 1979

Left wing challenges Callaghan's control

BY PHILIP RAWSTORNE

LABOUR LEADERS will begin the massive task of overhauling the party's policies and organisation this week in an attempt to recover the electoral support lost at the General Election.

The process will inevitably develop into a bitter struggle between Mr. James Callaghan and the Left-wing over future control of the party.

Mr. Ron Hayward, Labour's general secretary, pleaded forcefully at the week-end for a united effort to strengthen the movement.

Left-wing leaders, however, intend an immediate and determined challenge to Mr. Callaghan's authority.

The party's Finance Committee is to discuss today the demands of Mr. Normen Atkinson, Labour treasurer, that the £165,000 public funds allocated to the Opposition should be controlled by Transport House.

The Shadow Cabinet agreed last week that the funds should be controlled by Mr. Callaghan, since they are assigned for the party's parliamentary activities.

The Labour leader has offered to use some £40,000 to run the parliamentary secretariat, at present paid from Labour's general funds.

Left-wingers, however, want the money channelled through the party's National Executive so that they can influence the appointment of political advisers to the Shadow Cabinet.

The executive will discuss the issue on Wednesday, with other moves initiated by Mr. Anthony Wedgwood Benn to extend Left-wing influence over the predominantly moderate parliamentary party.

The executive is being asked to waive the normal party conference procedures this autumn to allow further debates and votes on the reselection of and votes on the re-election of the party leader.

Reselection of MPs as candidates at each general election would increase the influence of Left-wing constituency activists.

Similarly, any widening of the electoral roll for the party leadership, at present confined to Labour MPs, would improve the chances of a Left-wing candidate for the post.

The Left's challenge will also be directed later against Mr. Callaghan's powers of appointing Front-Bench spokesmen apart from the 12 members of the Shadow Cabinet and against his overwhelming influence on the party's election manifesto.

The Labour leader, however, intends to go ahead today with the appointment of 30 back-bench MPs to junior Front-Bench posts.

The struggle for the party's "levers of power" seems likely to divert the party from its main task of regaining electoral popularity and support.

Although some organisational improvements may be made without much argument—the Finance Committee will, for example, today consider substantial pay increases for party agents—the overhaul of policy might be delayed and hampered by internal disputes.

Yet both the party's Right- and Left-wings agree that the election defeat demands urgent revision of attitudes, day-to-day tactics and longer-term strategy.

Mr. Hayward told the party southern regional council: "Our membership is deplorable . . . We have lost the support of young people, of many trade unionists, of council-house tenants—all those sections of society which we used to claim as ours."

Mr. Merlyn Rees, former Home Secretary, said that party organisation had to be improved—"we expect too much et low pay from those who work for us"—and more and better research on policies to meet the needs of current social and economic changes.

From the Left wing, Mr. Benn gave a warning that Labour would not necessarily gain advantege from any failures of the Thatcher Government.

"We must develop and argue alternative policies for public investment and public ownership," he declared.

Mr. Eric Heffer called on the party to rebuild a mass membership "deeply rooted among the people." Rank-and-file MPs should have more influence and the parliamentary party should be more responsive to constituency parties.

Carter's energy plea dominates Tokyo summit

BY OUR FOREIGN STAFF

PRESIDENT CARTER has called for concerted action by the industrialised world to solve the energy crisis.

He said he would be asking Western leaders attending this week's economic summit in Tokyo to co-operate in three ways:

● By meeting their targets for reducing oil imports this year as effectively as the U.S., and by reducing imports still further in 1980.

● Stopping what he called unacceptable competitive bidding over world oil prices.

● Trying to produce more alternative energy sources like coal, solar energy, and synthetic fuels.

President Carter was speaking in Washington before leaving for Tokyo, where he arrived yesterday. He said the energy crisis would be the main topic on the agenda at the talks starting on Thursday which bring together the leaders of the U.S., Japan, Canada, France, Britain, Italy and West Germany.

At last week's Common Market summit, the EEC leaders pledged themselves to continue cutting energy consumption and to keep the volume of oil imports at or below the same level es last year.

Today President Carter meets Mr. Masayoshi Ohira, Japan's Prime Minister. The subjects taken up at this meeting are expected to include, besides energy, refugees from Vietnam and the "suspended" U.S. plan to withdraw ground troops from South Korea.

President Carter will hold en initial round of talks in Tokyo with Mr. Ohira this afternoon and a second round on Tuesday in s country house outside Tokyo.

Bilateral trading issues are not expected to figure prominently in the Carter-Ohira talks since the main issue between the two countries (liberalisation of Japanese Government procurement procedures to allow bidding by U.S. companies) was settled during a recent visit to Tokyo by Ambassador Robert Strauss.

Japan is understood to favour implementation of an effective one-year programme to cut advanced countries' oil consumption by 5 per cent, arguing that this is enough to deal with the present oil squeeze and prevent further runaway increases in spot prices.

It does not favour a joint programme of demand management by summit member countries, or the various alternatives of two- or five-year import freezing plans that are being floated by other summit participants.

Japan is especially sensitive to the impact of oil import cuts on economic performance, since a much higher proportion of its oil imports is consumed by industry than is the case with any other advanced industrial country.

The Carter-Ohira discussions on Asia, which will take place on Tuesday, will almost certainly include an attempt by Japan to discover U.S. intentions on Korean troop withdrawals and to remind the U.S. once again of Japan's concern with the military balance on the Korean peninsula.

Other topics that could well be covered include the political stance of North Korea (which both Japen and the U.S. are anxious to see retain its neutrality between the Soviet Union and China) and the progress of China's economic modernisation plans.

THE LEX COLUMN

The real earnings conundrum

As the equity market wilts at the thought of 17½ per cent inflation by the end of the year it is worth taking another look at the academic arguments going on over the valuation of equities. The basic puzzle continues to be the simple one of why a share in equity does not in practice offer a satisfactory hedge against the ravages of inflation. Why have shares not performed as well in terms of price as houses, or gold, or vintage cars?

The normal answer is that the acceleration of inflation over the last ten years or so, since share prices in Britain touched a peak in real terms, has coincided with a serious decline in the level of reel profitability. The Government and other bodies have produced estimates of company profits adjusted for replacement cost depreciation and stock appreciation.

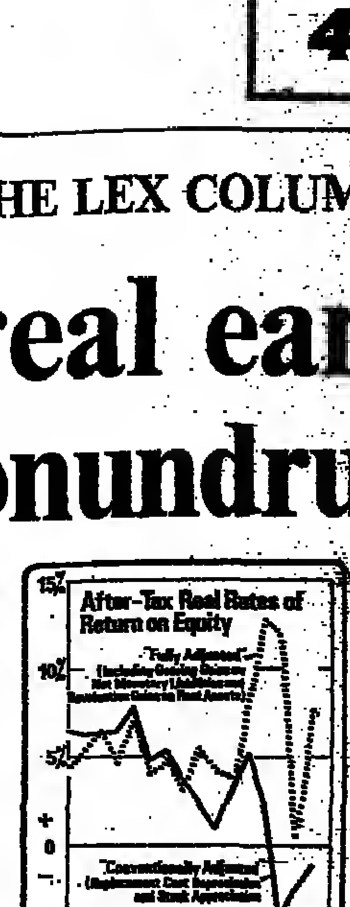
Real returns

Last week, for instance, the Bank of English published a table of real pre-tax rate of return figures for industrial and commercial companies, indicating that returns in the range 10 to 12 per cent in the 1960s had shrunk to less than 5 per cent in recent years. For 1978 the estimate was 4.7 per cent.

But the Bank acknowledges that such calculations underestimate the return on the equity interest. High rates of interest, containing a premium for inflation, are charged as costs, while there is no benefit allowed from holding assets which are rising in value with inflation and are partly financed by debt. The Bank's researchers have calculated that the real pre-tax return on equity for 1977 was over 7 per cent, and on a still more favourable basis allowing for differential inflation in company assets the return was 9 per cent.

These are pre-tax figures. Bearing in mind that the effective tax burden has been reduced because companies do not pay any tax on unrealised valuation gains and are protected against tax on stock gains (in the UK through stock relief, in the U.S. because of the acceptance of LIFO stock accounting policies) it appears that the comparison with the apparently hugely profitable periods of the 1950s and 1960s is not quite as unfavourable as might appear.

In fact some economists have decided that the purported collapse in real company profitability is a myth. In March, Modigliani and Cohn published a paper in the U.S. Financial



Analysts Journal under the title "Inflation, Rational Valuation and the Market." They argued that there was no evidence that the total after tax return to equityholders had been reduced by inflation, and investors appeared to suffer from a variety of inflation illusions. They concluded that the U.S. equity market was hugely undervalued.

Now an American academic visiting Britain, Professor Basil Moore, has carried out a similar exercise into UK profitability using as his data base the Department of Industry's files containing the aggregated income accounts and balance sheets of over 1,000 large quoted companies. He comes to the same conclusion from this UK data as Modigliani did from U.S. evidence.

Conventionally adjusted after tax returns, net of replacement cost depreciation and stock appreciation, have fallen sharply since the middle 1960s and even became negative by about 1973. But net after tax profits, fully adjusted for revaluation gains due to inflation, whilst at times highly volatile, have not shown any evidence of secular deterioration.

At this point, however, Moore diverges from the Modigliani theory that investors are behaving irrationally, and attempts to find a rational explanation of the stock market's attitude. His explanation boils down to the view that it is not investors but company managements who have got it all wrong.

Payout ratios

It is a widely accepted theory, at any rate in the U.S., that a share price reflects the market's valuation of the future earnings stream. The famous Modigliani and Miller theorem, a central proposition of modern financial theory, shows that dividend payout ratios are irrelevant for share prices. But Moore has found that in contrast to the relatively stable trend of adjusted earnings, real dividend payments have been falling in the UK. He suggests that the connection between inflation and lower payout ratios provides the main explanation for what has happened to share prices in real terms.

The real value of dividends has fallen in most years since 1965, the peak year, and by 1976 the real value had fallen by over a third. Since then there has been a mode recovery. But the downward adjustment of real dividend means that whereas companie paid out over three-quarters o their real after-tax profits in th 1960s they have cut this rat to about two-fifths in the 1970

Discouraging

During this period there ha been a sharp decline in th so-called valuation ratio, whic relates equity market value t the equity interest in corporat assets at replacement cost. I the 1960s it varied between 1. and 1.4, but in 1978 it was onl 0.68. Companies are not payin high enough dividends t encourage investors to valu shares at anything like true n worth.

The removal of dividend co trols after 5½ years at la eliminates one source of disto tion. But the question remai whether Moore is right abo the trend of real profits (the is much argument about th calculation of after-tax return and, if he is, whether it h any relevance to the policies companies.

The concept of fully adjuste profits is based upon accrua not realisations. This mea that companies could only pa out dividends to the full exte of such "earnings" by borro ing to do so. There is a contra here with the more limit gearing adjustments of th current cost accounting exp sure draft ED 24 which effe tively cause only realised gain to be credited to profits.

It is only prudent of co panies to seek—partly throu greater retentions—to redu their gearing at times of u certainty, and to build up th dividend cover to provide so protection against the sha profit fluctuations brought abo by rapid inflation. Compan now often talk of having a ta get current cost cover of twi whereas ten years ago histo cost cover of 1.5 times mig have been thought acceptab Prudence has its advantag but it may also have a cost.

Mrs Thatcher faces warning from TUC

BY CHRISTIAN TYLER, LABOUR EDITOR

THE PRIME MINISTER will be told by trade union leaders today that any industrial action mounted by unions to prevent job losses or increase pay offers in the coming months will be the fault of the Government, not of the TUC.

Their message will be that the Government has forfeited its chance of economic co-operation with the TUC by introducing a Budget cutting deeply into public services and employment, and fuelling wage expectations, with a 4 per cent hoist in the retail prices index.

Mr. Len Murray, the TUC general secretary, and most members of the TUC Economic Committee who are to meet Mrs. Thatcher, are not trying to whip up strikes. They do not want to be charged with taking political action in defiance of her electoral mandate.

But they will not attempt to restrain militancy if it is seen to be in defence of jobs and living standards, the traditional trade union concerns.

Today's meeting, at the TUC's request, is also an attempt to persuade Mrs. Thatcher to modify the free enterprise policy upon which she has so firmly embarked.

The committee will report on Wednesday to a full meeting of the TUC General Council, when ideas will be discussed for a propaganda campaign in the trade union movement against the Government's economic policies.

Some unions have already declared themselves ready to take industrial action against the effects of the new policies, and expect to enjoy TUC support.

They include the steelworkers, who are afraid of denationalisation, and the local government officers, who see a threat to their jobs.

Yesterday they were joined by the National Union of Teachers, which said it was mounting a campaign against education cuts that was "bound to mean some industrial action."

Its executive council is asking for an urgent meeting with Mr. Mark Carlisle, Education Secretary, to protest about the £55.5m cut announced in the Budget, and the £300m reduction in the rate support grant for local authorities.

Teachers in ten education authority areas were already refusing to take "oversize" classes or to cover for colleagues' long absences, the union said.

Public-service unions in the North-West have combined for a campaign of "active opposition" to the cuts.

On the pay front, some unions have revised their expectations because of the Budget and trade union forecasts of a rate of inflation of 20 per cent by next year. But leaders of even strong unions like the Transport and General Workers are not actively seeking a repetition of last year's expensive struggles.

State scientists asked to strike, Page 6

EEC move to review shipping policies

By Giles Merritt in Brussels

THE EUROPEAN Commission has begun moves to overhaul the activities of shipping conferences.

Under the terms of a draft regulation that could reach the Council of Ministers by the end of the year, restrictions would be imposed on pricing policies of the conferences.

Their loyalty agreements and currency adjustment practices would be reformed.

According to Commission officials, these aspects of shipping conference behaviour are "unacceptable" under EEC competition rules. The aim of the proposed regulation is to review the terms under which shipping conferences will be exempted from the strictures of Article 85 of the Treety of Rome, one of the keystones of competition policy.

EEC competition authorities say that shipping conferences are technically a cartel, and the purpose of talks that the Commission is to begin soon with member Governments and shipping associations is to define the technical and economic advantages of the conference system while ruling out some financial practices.

The Commission initiative on shipping is comparable, too, with moves being made to review European airline fare agreements.

Until a 1973 ruling by the European Court of Justice, both shipping and aviation had been exempted effectively from EEC competition rules by a 1962 regulation.

Since the ruling that reversed the exemption, there has been growing pressure from the European Parliament and from within the Commission for a major review of both sectors.

Earlier this month a U.S. federal judge imposed fines of $6.1m on seven international shipping lines and 13 executives in a case brought under anti-trust legislation.

Fines totalling $5.45m were imposed on the companies and $650,000 on the officials, all of whom pleaded "no contest" to price-fixing charges on container freight between the U.S. and Europe.

The decision to prosecute was attacked by Mr. David Ropner, president of the Ceneral Council of British Shipping, who said it reflected the U.S. Administration's one-sided view of shipping matters.

The Commission is to preside at a meeting of experts from Governments in Brussels on July 5, in preparation for talks with shipowners' representatives.

What the ripple effect of the proposed EEC clampdown will be remains to be seen. Only EEC shipping lines and those lines using community ports will be directly affected, but they are estimated to be a significant proportion of the world's 350 or so shipping conferences.

Air link

The Brussels move is described as the first attempt to review the conference system.

Europeans reject Caledonian plan to cut air fares

BY LYNTON McLAIN

BRITISH CALEDONIAN plans for low air fares on three European routes have been rejected by France, Belgium and Holland.

The rejections come only days after Sir Freddie Laker's application to British air authorities for a low-fare Skytrain service to 35 European cities following a call by the European Commission for "substantial cuts in the cost of EEC air travel.

An inter-Government row may follow if British Caledonian's proposed 40 per cent cuts in off-peak fare from Catwick, London to Paris, Brussels and Amsterdam are accepted by the British Government.

The airline already flies these routes and has proposed a new off-peak return fare of £56.

British Caledonian said yesterday that it would press the three Governments—through the UK Civil Aviation Authority—to introduce lower fares on the routes.

The authority is already considering a separate British Caledonian plan for off-peak fares on a proposed list of new scheduled services to 20 European cities. This was launched early in May and Sir Freddie Laker's proposed European Skytrain service would embrace many of the same cities, although his list is almost twice as large as the British Caledonian's.

"This duplication would appear to be a wasteful effort," British Caledonian said. "It welcomed the support from Laker for lower fares in Europe, but warned yesterday that it would challenge Laker on its application to serve routes already operated or applied for by British Caledonian.

● Britain and Italy have one week to sort out their dispute over charter aircraft refuelling, which could have a serious effect on the tourist industry between the two countries, Rupert Cornwell writes from Rome. The Italian Transport Ministry said this weekend that it had replaced its ban on refuelling of British charter flights stopping in Italy until July 1.

This follows the move by UK oil companies to provide kerosene for Italian charters in Britain until June 30. Meanwhile, the DC-9 of Itavia, the private Italian airline which started the trouble after being held up at Gatwick last week for lack of fuel, is now back in Rome.

Railmen likely to call for 30% pay rise

BY PHILIP BASSETT, LABOUR STAFF

THE NATIONAL Union of Railwaymen, the largest rail union, is likely this week to approve a pay claim for increases in the British Rail rate of more than 30 per cent.

The claim is presented in the main motion proposing it to the union's annual conference opening today at Torquay as a "modest demand." Some delegates may press for an even larger target to be set.

The motion before the policy-making conference of the 180,000-strong union calls for the union's executive "to make a concerted effort to bring railwaymen's basic wages to a level above the poverty line that many have to endure at present" by raising the railman's basic rate to £65 a week. Three other branches have separate motions supporting this figure.

The railman's basic rate is £43.95 including a £4 supplement, a 16.1 per cent increase on last year's rate which was reached in a pay settlement in April worth 12 to 13 per cent, or £100m on the British Rail wage bill.

An increase to £65 is estimated by NUR officials to be just over 30 per cent, though under the "appropriate increases for other grades" called for in the motion, rises for higher paid grades such as signalmen and drivers could be greater in cash terms.

Mr. Sid Weighell, NUR general secretary, said yesterday that to talk about increases of less then this figure by the time of the railways' due settlement date next April would be to leave railway workers standing still.

He said the Government had been over-optimistic in saying that the increase in the Retail Price Index would rise to 17½ per cent by the end of the year as a result of the Budget. The NUR estimated the RPI would be 20 per cent by December, and even higher when the time came for its pay claim to be submitted.

Mr. Weighell dismissed the effect of the tax cuts offered in the Budget. He said they meant between £2 and £3 a week which would be taken back in VAT increases.

Sir Peter Parker, chairman of British Rail, is to address the conference on Wednesday, the day before delegates are expected to approve the claim. The conference will discuss economic policy tomorrow and will today consider union relations with the Government.

Continued from Page 1

UK oil output

three African members: Algeria, Libya and Nigeria. They produce similar, light, low-sulphur crudes.

Their prices have risen by half since the beginning of the year and Algeria is talking of raising its price by at least another $1 to $1.50 a barrel to take account of its quality premium over Middle East crudes.

Even without a further general OPEC price rise, that would set most of its crude at $22 to $22.50 a barrel in the second half of the year, compared with $14.10 at the end of 1978.

The market for drilling rigs in the North Sea has tightened considerably in recent weeks, with a sudden flurry of new exploration in the Norwegian sector.

Wood Mackenzie says that all rigs available have secured contracts and hire rates have risen from about $28,000 to about $33,000 a day.

Eight wildcat exploration wells are being drilled in Norwegian waters, four off the coast of Ireland and nine on the UK continental shelf.

Exploration in UK waters is still at a low level compared with previous years, however, and the Government is talking urgently with UK offshore operators with a view to increasing activity.

Sue Cameron writes: The Government is reviewing the position of the British National Oil Corporation and is to publish its findings before the parliamentary recess.

The review is expected to recommend the ending of some of BNOC's privileges, possibly including the corporation's right to a 51 per cent stake in production licences.

However, the increase in world oil prices is expected to do more to encourage North Sea exploration than any limits placed on BNOC's activities.

Oil companies are not obliged to involve BNOC in their initial exploration. An exploration licence permits them to look for oil anywhere in the North Sea outside blocks that have been allocated for development and production.

Mr. David Howell, Energy Secretary, is expected to insist that companies operating in the North Sea pay their 12.5 per cent royalties in oil rather than cash from the beginning of next year. The aim would be to ensure that more North Sea oil *stays in the UK.*

Weather

UK TODAY

COOLER, with some showers and sunny intervals.

London, S.E., Cent. S. and N. England, E. Anglia and Midlands
Scattered showers, sunny intervals. Max. 17C (63F).

E. and N.E. England, Borders, Cent. Highlands, N.W. Scotland, Argyll, Aberdeen, Edinburgh and Dundee
Showers with sunny or clear intervals. Max. 15C (59F).

S.W. England, S. Wales, Channel Islands
Cloudy with occasional showers. Max. 15C (59F).

N.W. England, N. Wales, Lake District, I. of Man, Moray Firth, N. Ireland
Showers with sunny or clear intervals. Max. 14C (57F).

N.E. Scotland, Orkney, Shetland
Rain. Max. 12C (54F).

Outlook: Remaining cool with showers or sunny intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Lisbon	S	22	72
Algiers	F	28	82	Locarno	F	26	79
Amsdm.	C	16	61	London	C	15	59
Athens	F	27	81	Luxmbg.	F	19	66
Bahrain	C	33	93	Luxor	F	45	113
Barcina.	F	24	75	Madrid	S	30	86
Belfast	C	13	55	Majorca	S	28	82
Belgrd.	F	22	72	Malaga	F	28	82
Berlin	S	26	79	Malta	S	31	88
Biarritz	C	17	63	Mchstr.	R	13	55
Bmghm.	R	11	52	Melbne.	C	15	59
Blackp'l	C	13	55	Milan	S	28	82
Bordx.	F	21	70	M'ntreal	C	8	50
Boulgn.	C	13	55	Moscow	C	20	68
Bristol	R	13	55	Munich	S	26	79
Brussels	C	16	61	Nairobi	C	17	62
Budpst.	F	25	77	Naples	F	26	79
B. Aires	B	11	53	Nwcstl.	F	15	59
Cairo	S	40	104	N. York	C	18	64
Cardiff	S	14	57	Nice	S	23	73
Cas'b'ca	C	19	66	Oporto	S	20	68
Cape T.	R	18	64	Oslo	F	20	68
Chicago	S	16	61	Paris	F	18	64
Cologne	F	24	75	Perth	R	13	55
Cpnhgn.	S	24	75	Prague	S	25	77
Corfu	F	25	77	Reykjvk.	S	9	48
Dublin	F	15	59	Rhodes	S	26	79
Dbrvnk.	F	23	73	Rio J'o	S	25	77
Ednbgh.	C	14	57	Rome	S	25	77
Faro	F	21	70	Salzb'rg	S	28	82
Florence	S	28	82	Singapr.	S	31	88
Frankf't	F	25	77	Stckhm.	S	25	77
Funchal	F	22	72	Strasb'g	C	20	68
Geneva	C	21	70	Sydney	S	19	66
Gibrltr.	F	27	72	Tangier	C	19	66
Glasgow	F	17	63	Tehran	S	29	84
G'rnsey	R	14	57	Tel Aviv	F	29	84
H. Kong	C	30	84	Tenerife	F	18	64
Innsbr'k	S	28	82	Toronto	C	14	58
Invrnss.	F	14	57	Tunis	S	34	93
I.o.Man	F	13	55	Valencia	F	27	81
Istanbul	F	26	79	Venice	S	26	79
Jersey	S	15	59	Vienna	S	27	81
Jo'burg	S	18	64	Warsaw	S	28	82
L. Plms.	C	22	72	Zurich	C	20	68

C—Cloudy. F—Fair. R—Rain. S—Sunny.

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